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ABSTRACT

Findings, conclusions, and recommendations concerning the role of the Federal Government in providing day care services are presented in this Summary Report, Part I of the Final Report. The six chapters of the report are as follows: 1. Statement of the Problem--identifies the social context in which day care and child development programs must be evaluated, and describes a range of Federal objectives that appear to be implied in current debate; 2. Existing Child Care System--examines the existing child care industry and the forces that have shaped its development; 3. Policy Issue: Should the Federal Government Provide More Day Care Services?--analyzes the question in relation to Federal objectives and social concerns, and evaluates the potential for achieving these objectives through increased involvement in day care services; 4. Policy Issue: Should Child Development Services Be Provided in Federally Supported Day Care Arrangements?--analyzes the relationship of day care to child development services, and discusses child development as an end in itself; 5. An Analysis of Alternative Federal Delivery System Strategies for Further Involvement in the Day Care Industry--analyzes the delivery system best suited to increased Federal involvement in day care, and makes recommendations; 6. Implementation--presents guidelines for legislation, and provides alternative forms of implementation of the proposals through suggested amendments and modifications of pending day care provisions in the proposed Social Security Act Amendment of 1971 and pending child development bills. Supporting appendixes to the report, Parts II through X, are bound separately (see PS 005 970 through PS 005 983.) (AL)

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FINAL REPORT: Part I
Alternative Federal Day Care Strategies for the 1970's:
SUMMARY REPORT

March 1972

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FOREWORD

This Final Report is submitted to the Office of Economic Opportunity by the Day Care Policy Studies Group of the Institute for Interdisciplinary Studies. The document presents the findings and recommendations of the Day Care Policy Studies Group and does not necessarily represent the policies or positions of any agency of the federal government.

This summary document, Part I of the Final Report, is based on a selection of only those aspects most relevant to major policy decisions. For a detailed presentation of the findings and conclusions of this endeavor, see the supporting appendixes, Parts II through X (a complete list of titles is given in the table of contents).

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FINAL REPORT: Part I

Alternative Federal Day Care Strategies
for the 1970's

SUMMARY REPORT

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ABSTRACT

Statement of Problem

Numerous factors influence the need for child care services throughout the country, among them: increasing numbers of working mothers, who are employed by choice or necessity; welfare (especially AFDC) costs are constantly increasing; and taxpayers feel that day care services may help current AFDC mothers to work. In addition, child care is seen as necessary if women are to be allowed to pursue lives as freely as can men (who rarely have to accept the responsibility for 24-hour care of small children).

There is also a growing interest in "child development services": Not only are more and more parents interested in giving their children "preschool" educational experiences, but there is a growing belief that such preschool education is an effective way to give "disadvantaged" children the same opportunities that average children enjoy.

The federal government has made several attempts to help meet facets of this demand, but the "industry" and the "technology" of extra-parental child care are so new that many of these efforts are experimental. The question the federal government must answer is not just, "How should the federal government help to regulate and financially support child care? but rather "How much should the federal government try to do, for whom, and how?

In response to this situation, we have isolated the major objectives the federal government could expect from its involvement in day care and child development services:

1. Decrease the immediate costs of welfare under current or proposed legislation.
2. Increase the net income of the poor.
3. Enable welfare recipients to participate in required work and training programs.
4. Improve the equality of children's opportunity (by enhancing the development of the disadvantaged child).
5. Enhance the equality of women.
6. Provide adequate day care to children of currently working parents.
7. Support the development of the most effective and efficient delivery system for day care and/or child development services.

The Existing Child Care System

Eighty-five percent of child care arrangements are informal. Most arrangements in the children's own homes, predominantly by relatives. Only 15% (about 1.3 million) of arrangements for child care by working mothers are "formal" (either in a center or in a family day care home).

Care in the children's homes is also the arrangement the majority of mothers seem to prefer; the next largest preference is for center care, which is one of the least-used. Cost and convenience are prime factors in a mothers' choices of care arrangements but continued satisfaction is more dependent on their satisfaction with the quality of care.

Most current child care arrangements (72%) are free or very inexpensive. Roughly $1.4 billion dollars are currently being spent for all child care in America. Of this, about $229 million are from federal funds; most of the remainder is paid by parents, at an average (for those who pay) of about $500 per year per child. The estimated annual cost of "custodial" care (providing food, supervision, and safety) is about $400. The estimated cost of center care offering some educational services is about $700; and the estimated cost of center care providing "child development services" (which include health, educational, social, and psychological services) is about $1,300 per child per year. However, the quality of the care that is being delivered for these costs has not been evaluated.

With few exceptions, even formal day care operations are small and local; data is available only about day care centers; little is known about the care or cost of care provided in day care homes. Non-profit centers generally offer more comprehensive services than do the for-profit centers, and known costs reflect this; but again, little is known about quality. At present, the quality of care is controlled by licensing, a method that is relatively ineffective because of varying standards and because of the fact that most children are cared for in unlicensed programs to which licensing is not intended to apply.

Should the Federal Government Provide More Day Care Services?

Not all the potential federal objectives are attainable with an increase in its involvement in day care. A major conclusion of this study is that day care alone cannot be expected to reduce current welfare costs; a large number of the employable welfare recipients are already working, especially those with school-age children. Providing even the least expensive adequate form of day care for employed welfare recipients would increase federal expenditures above savings in welfare payments, unless free care is limited to newly working welfare mothers only and is provided at less than $600. The provision of day care to all families whose incomes are less than $8,000 per year would, however, substantially increase the income of this group, especially for "near-poor" families. Estimated increases in earnings are:

- for welfare-poor, $128 million per year;
- for working-poor, $149 million per year;
- for near-poor, $1,147 million per year.

Increased day care services provided free for the poor, and on a sliding scale for those who are not poor, will increase the numbers of women who are in training or are looking for employment, but the actual numbers of welfare-poor, working-poor, and near-poor women who will actually find jobs would be determined largely by other factors. An increase in the choice of child care arrangements would satisfy the desires of many working women for whom present arrangements are unsatisfactory.

There is no conclusive evidence that "adequate" care provided at the estimated minimum cost of $400 per year would be "harmful" to the children who receive it, but this is primarily due to the fact that there is little conclusive, objective information about the effects -- beneficial or harmful -- of any form of day care or child development. Research into this question is essential to any policy decision regarding the adequacy of various cost-levels of care, and such research is strongly recommended.

Should Child Development Services Be Provided in Federally Supported Day Care Arrangements?

If one purpose of federal involvement in day care is to enhance the opportunities for development of disadvantaged children, then some form of federally sponsored "child development" program will have to be designed and implemented. Although little is known about the relative benefits (or even the specific definitions) of child development services, much is known about the effects of poverty-related deprivation. Day care is only one of a variety of potential modes of delivering child development services to poor children. Almost no evaluation has been conducted on the effectiveness of child development services provided in a day care setting. What evidence does exist -- and this is only for educational services -- is that such services are only marginally effective and of limited duration (three years). Other methods of providing child development services -- such as parent education, home programs, and television -- must be experimented with. We recommend that the federal government not implement a national child development program, especially one based on a day care setting, until alternative delivery systems for such services have been evaluated.

If the federal government decides to support primarily custodial day care services, it is necessary to evaluate the extent to which custodial care is an adequate substitute for care by the mother. There is no time in a child's life when he or she is not developing; even custodial care is a "child development" program. There is little reliable information about children's development as it is affected by day care; there are, however, many indications that the attitudes and behavior of those who care for children do have significant effects on the children's development. We recommend strongly that the question of the most beneficial characteristics of caretakers and the relationship between these characteristics and such factors as caretakers' training and education, caretakers' salary levels, and the over-all cost per child for care be carefully researched.

We recommend that Congress establish a substantial program of research, demonstration, and evaluation in the areas of child care and child development. We further recommend that this office be required to submit to the Secretary (HEW), the Secretary (DoL), the President, and the Congress, on or before June 30, 1974, a report of its findings and recommendations regarding federal policy and programs in child development in and outside of day care settings. One basic intent of this recommendation is to have available for the Executive branch and Congress adequate data on child development prior to enactment of a major program in this area.

An Analysis of Alternative Federal Delivery-System Strategies for Further Involvement in the Day Care Industry

If the government decides to increase its support to the provision of day care service, the government has two distinct alternatives to consider in deciding the basic delivery system by which day care services might be provided. The services can be designed, regulated, funded, and provided by a central agency; or the service can be provided through a free market industry, and deicisions about the type of care provided and the responsibility for regulation would be made by consumers, with only minimal central regulation.

We recommend that federal involvement in day care be through a market approach, utilizing vouchers to place purchasing power for day care services in the control of eligible parents. We further recommend that a program of key resources (planning, technical assistance, start-up costs, facilities, training, and so on) be implemented to help the market meet new demand without artificially raising prices and to ensure entry into the day care market of a variety of providers -- some of which may not otherwise be able to enter, due to start-up cost, lack of technical knowledge, and so on; and to ensure an adequate supply of day care in areas with special needs or problems

A market model allows for the maximum freedom of choice by parents in selecting arrangements for their children, and also enables the day care industry to evolve according to the needs of the children and parents it serves. A centrally planned system could not, with the current lack of reliable information about day care, be designed to meet all existing and evolving needs. A market model will tend to provide care at a lower cost than a centrally administered system; each provider would be forced to attract consumers and would have to constantly develop better, more desirable, and efficient care to meet competition. A market model allows control by federal agencies, but major responsibility for regulation would rest with parents.

The market model, of course, could not be relied upon exclusively to meet all needs. In certain locations, under certain economic conditions, and for certain population groups, inequities may occur. For these reasons, the key resources program is necessary. This would place the responsibility for the development of essential resources -- but not operating money -- in the hands of community organizations. Since the development of key resources will only be necessary in instances of local need, particular and representative knowledge of that need will be necessary for efficiency, responsiveness, and effectively rapid evaluation.

Implementation

All recommendations in this report must be considered in terms of specific legislative action. The final chapter of the report presents guidelines for legislation that, if enacted, would bring into being the program we recommend. This program includes specifically:

1. voucher system for purchasing power for day care services accompanied by a key resource program, and
2. a national research program in child development.

The chapter also presents guidelines for the modification of the pending comprehensive child development legislation and the pending day care provisions of the proposed Social Security Act Amendments of 1971 that would bring the pieces of legislation more in line with our recommended market model and research program.

It must be remembered that we are neutral on the policy decision regarding increased federal involvement in day care and the level of that involvement. The expected impacts have been presented for policy makers to consider. We do recommend that, if the decision is made to increase federal involvement, it be done through a voucher and key-resource program. We also recommend that the federal government refrain from implementing a new national child development program, especially one based on a day-care-center delivery system, until services have been proven effective, practical methods of delivery are developed, and the effectiveness and efficiency of alternative delivery systems for child development services have been evaluated. For this purpose, we recommend a national program of research, demonstration, and evaluation.

INTRODUCTION

This volume, a summary of the Final Report, has three policy-oriented goals: First, to provide information concerning the role of day care in advancing various federal objectives; second, to show the relevance of this information to major legislative decisions, specifically those proposed in this report and the day-care-related sections of the Social Security Act Amendments of 1971 and the comprehensive child care bills; and third, to provide recommendations concerning the most effective delivery system for providing increased support to day care, should the federal government decide to do so.

This Summary Report is not intended to be a comprehensive review of all findings concerning day care and child development. We present here only those findings, conclusions, and recommendations that bear most directly on the major questions of policy now facing Congress and the President. Many more detailed findings and recommendations are presented in the other parts of the Final Report.*

The strong impetus behind the various proposals for increased federal involvement in child care gains much of its force from the conviction that such services can contribute significantly to the solution of such massive social problems as rising welfare costs, the educational impoverishment that the children of the poor experience, and inequities in the treatment of mothers in the existing employment market.

In some proposed legislation, billions of dollars would be spent with the stated goal of helping to solve these problems by injecting the nation with federally supported day care programs. The unfortunate fact is that it has yet to be established that many of these problems can be significantly diminished by proposed programs. In chapter one we address this question generally by analyzing the situation in which the current federal involvement in day care exists. We explore the problems that many expect will be solved by increased federal involvement in day care, and we isolate several major objectives proposed by advocates of that involvement. Our purpose is to show the ways in which day care is considered as a means to various ends, what those ends might be, and how the possibility of achievement of these ends must be considered in the perspective of the basic concerns of society. Our intent is to show that in some cases there might be more effective responses to the problems than day care, and that increased federal support of day care can be effective only if it is considered in a realistic perspective, as a very limited aid and not a panacea.

In the second chapter, we seek to provide information about the existing day care industry. If federal involvement in day care is to achieve its goals, it must be based upon knowledge of the dynamics and characteristics of the existing industry. This knowledge must include an understanding of the existing resources, as well as an understanding of how the existing industry developed and why it is the way it is. Without this essential background, federal plans and programs run the high risk of being based on opinion, desires, and hopes, rather than knowledge, information, and understanding. Wise use of the existing day care industry and its potential for

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*In this summary, all references to the various volumes of the Final Report will be made in abbreviated form; for example, (Final Report, II, V. 1, ch. 3, pp. 58-67) abbreviates Final Report, Part II, volume 1, chapter 3, pages 58-67.)

expansion can allow the government to furnish services at the lowest possible cost, and thus amplify the impact of federal funds. Ignoring the existing capacity of the day care industry will entail unnecessary expense.

The purpose of chapter three is to answer the question: "Should the federal government provide more day care services?" The answer to this question is complex. We analyze the question from the perspectives of the various federal objectives and social concerns discussed in chapter one; and we evaluate the potential for achieving these objectives through increased involvement in day care services. Necessarily, our answer goes beyond that simple question of whether or not the federal involvement should increase its support of day care.

Much of the debate on the subject of day care has been concerned with its relationship to child development services. In chapter four our intent is to analyze and clarify this relationship. In view of the possible long-range objectives of federal support of child care, and in an attempt to respond to the basic social concerns underlying those objectives, we also discuss child development as an end in itself, exclusive of any relation to day care. As in chapter three and chapter one, our purpose is to respond to the broader, longer-range questions of the function of federally supported child development programs.

In chapter five, we analyze and make our recommendations concerning the delivery system best suited to increased federal involvement in day care. Our basic purpose is to ensure that day care would be allowed to develop in the manner most suited to the needs of the American public, not only in response to the immediate problems that have stimulated public interest but in readiness to respond to problems that may arise in the future. The predicted needs for day care are expected to evolve rapidly, thus requiring a flexible industry. Further, forecasts of future need could be upset by unpredictable trends; the discussion and recommendations presented in chapter five take this unpredictability into account in considering the best delivery system to meet current needs of the government and the public.

Because this summary document has been especially written for policymakers, we have included a chapter that proposes guidelines and modifications by which the recommendations made in the report can be implemented. Chapter six presents detailed specifications for the delivery system, the method of payment, the key resources program, and for further research and development. We have also included critiques of the relevant portions of the proposed Amendments to the Social Security Act of 1971 and the proposed comprehensive child development legislation along with specific recommendations for modifications that would enhance the possibility of this legislation achieving federal objectives and solving the social problems to which they were intended to be responsive.

In placing the material presented in this report in accurate perspective, two general comments are pertinent. First, as in any treatment of major federal policy issues, we were plagued by the varying quality of pertinent data, and in many cases its absence. We have sought to present the data available on relevant points, provide estimates where necessary and useful, to comment on uncertain data, and to reflect in policy recommendations the degree of uncertainty that lack of current knowledge in specific areas seems to dictate.

Second, while we have sought to be as objective as possible in our treatment of this complex topic and to present reasoning and data on all sides of policy alternatives, it is clearly impossible for any policy analysis of this nature and scale to

be entirely value-free. In the interest of increased objectivity, therefore, we are bound to acknowledge that certain beliefs, values, and perhaps biases have influenced our thinking throughout the course of this study. First, we believe that a central concern of social programs should be the welfare of the poor and the disadvantaged. Thus, while we have presented a wide range of potential federal objectives drawn from current debate concerning child care, we believe the welfare of the poor and disadvantaged deserves paramount consideration. Second, we believe in equitable treatment for all like individuals under federal programs; it is our bias that if a certain type of service, such as day care, is to be made available under federal sponsorship in response to the needs of some individuals, it should be made available to all individuals with the same need. Third, given the fact of limited national resources and the pressing needs of the disadvantaged, we believe that only programs of proven value should be implemented on a national scale. Thus, we feel that rigorous assessment of the value of potential services and the effectiveness of proposed methods of service delivery through well-designed pilot program and demonstrations should precede the legislative mandate of delivery. To those who argue that certain services, although of unproven value, may do no harm and might help if delivered to the disadvantaged, we reply that there are alternatives for the expenditure of such funds which will better serve the interests of the disadvantaged. These include (a) increasing the level of federal investment in other services of proven value, (b) increasing financial assistance, and/or (c) making investments in research, demonstrations, and evaluations to develop truly effective services in areas of critical need. A fourth bias relates to our conviction that the "free market" model of service delivery is preferable to the "central planning" delivery model. In addition to the reasons that lead to this general conviction, there are particular reasons for favoring a market model method of providing federal support. This method would be responsive to parents' expressed preferences for a range and variety of services, and be consistent with the inevitable central role of parents in the care of their children. The free market concept is also consistent with our belief that poor families in general can and should participate substantially as day care providers in their communities under any expanded federal program.

1.0 STATEMENT OF THE PROBLEM

At present current federal support for day care and child development is estimated at more than $500 million. This report is intended to directly support federal policy makers who are considering a significant extension of this current federal involvement. Such consideration is now under way. The pending H.R.1 bill proposes to allocate $750 million for child care services per year. Comprehensive child care legislation proposed by Senator Javits would increase the cost to $1.2 billion in the first operational year. A bill introduced by Senators Nelson and Mondale would cost $1.5 billion in the first operational year.

This chapter first identifies the social context in which day care and child development programs must be evaluated. Multiple and at times conflicting social forces relate to the question of whether or not the federal government should more actively participate in day care and child development programs, and if so what the nature, shape, and purpose of this role might be.

In a sense, the broad issue in relating day care to social issues is the extent to which day care can significantly impact the primary social forces of concern. The level of national attention day care has received suggests that some feel it can. Others are skeptical.[1]

Second, this chapter identifies a range of federal objectives that seem implied in current debate; we recommend that government consider these objectives explicitly as it determines its role in day care and child development programs. An explicit statement of possible federal objectives is used as a framework for our evaluation of the potential benefits and costs of increased federal expenditures for day care. It is our conviction that, if programs are to be made sufficiently accountable, public expectations must be realistic and the government must carefully select, explicitly state, and tailor programs to a set of objectives.

1.1 Dynamics of Social Trends

Five major social trends have a significant bearing on the role of the federal government in day care and child development:

1. the increasing costs of Aid to Families with Dependent Children (AFDC),
2. the job market for women,
3. the concern over early child development services
4. the emphasis on family planning services, and
5. the impact of the movement for women's equality.

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[1]This and all subsequent superscripted notes are presented in the "Notes" section at the end of this document. Sources are cited in the text by author and date; complete bibliographic information is presented in the "References" at the end of this document.

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The Costs of AFDC

A significant number of the American children are poor. Approximately 10.5 million or 14% of American children (under 18) were in poverty conditions in 1970. About half of these poor children, 5.5 million, were aided by current welfare (AFDC) programs. The number of children receiving such aid is rapidly increasing. In 1971, 7.5 million were on AFDC; in 1973, 8.5 million are expected to be receiving aid.

The cost of this support is substantial and is increasing. The cost doubled from 1965 to 1970. In 1970 AFDC cost was $2.1 billion; in 1971 it was estimated at $3 billion and in 1973, $3.7 billion. Under H.R.1, family benefits would cost $5.8 billion.

The rapid increase in AFDC is disturbing because it continues to escalate regardless of economic conditions. Until the early 1960's the number of AFDC recipients has increased with unemployment and decreased with employment. After 1963, however, the rolls increased greatly in spite of decreasing employment ratios (see figures 1 and 2).

Within the AFDC program the largest increases have been payments to families in which the father is absent from the home (75% of all AFDC cases not including the 5% of the cases where the father has died). In 16% of all AFDC cases the father has deserted, and in 28% of all AFDC cases, the father was not married to the mother (see figure 3).

The illegitimacy rate increased only slightly from 1960 to 1968, but this increase occurred exclusively in births to women 15 to 19 years old; for all other age groups the rate dropped during this time period. A substantial percentage of the illegitimate children are supported by AFDC. Fourty-four percent of all AFDC families have one or more illegitimate children (1969 AFDC survey). The increase in the number of illegitimate children supported by AFDC is partly explained by the facts that most of these young mothers are economically unable to support their children and that increasing numbers of unwed mothers are caring for their children rather than placing them for adoption.

The consequences of the welfare system are numerous:

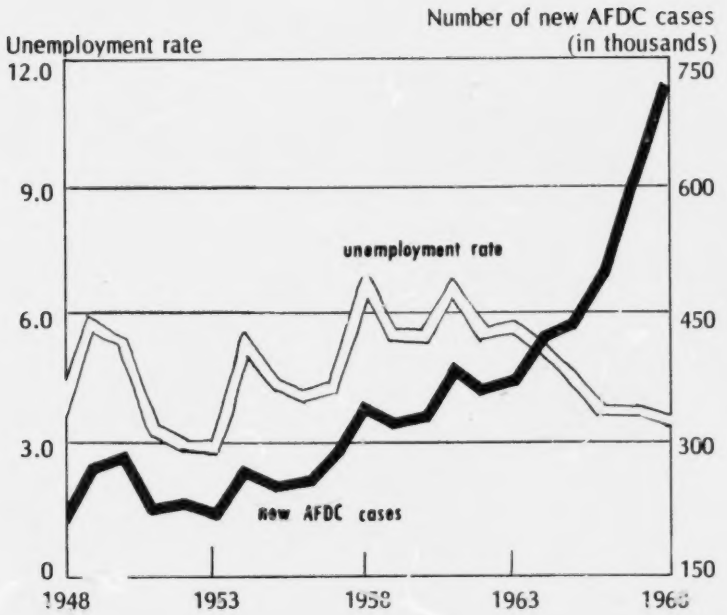
- human resources are wasted,
- generational cycles of poverty are created,
- state and local governments are threatened by bankruptcy,
- many Americans are demanding that the welfare recipient work, and
- the American people are faced with increased polarization.

It is in this context that day care services are viewed by the public and policy makers alike as one means to enable more welfare recipients to gain productive employment and thereby reduce welfare costs.

The Job Market for Women

The number of working women (now 30 million) has more than doubled since just

Figure 1: AFDC Rates

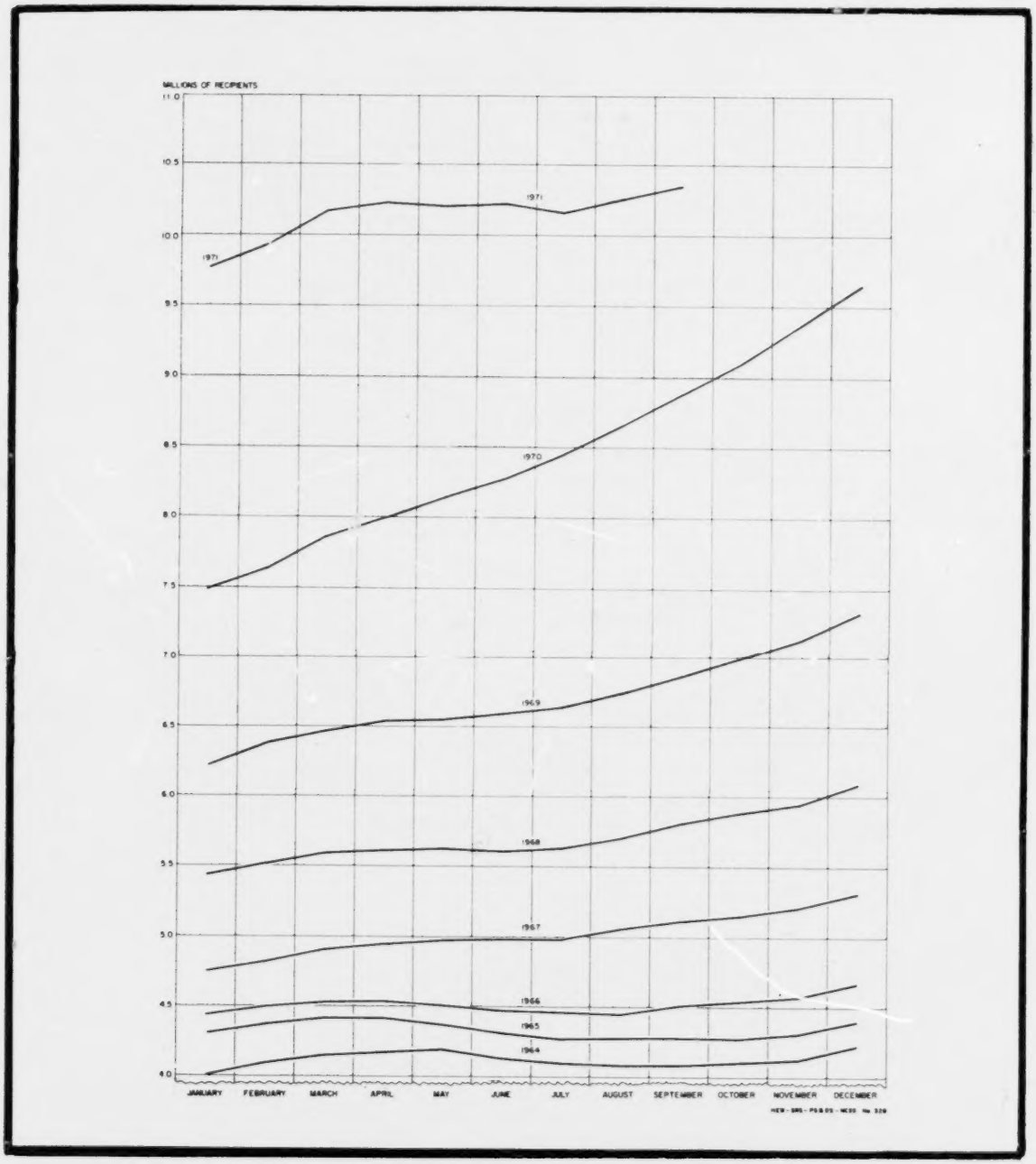


While historically welfare caseloads rose and fell with unemployment, this pattern was broken in 1963, with new cases increasing rapidly as unemployment fell. The result was an explosion in welfare rolls.

(Source: U.S. Manpower in the 70's, 1970)

Figure 1

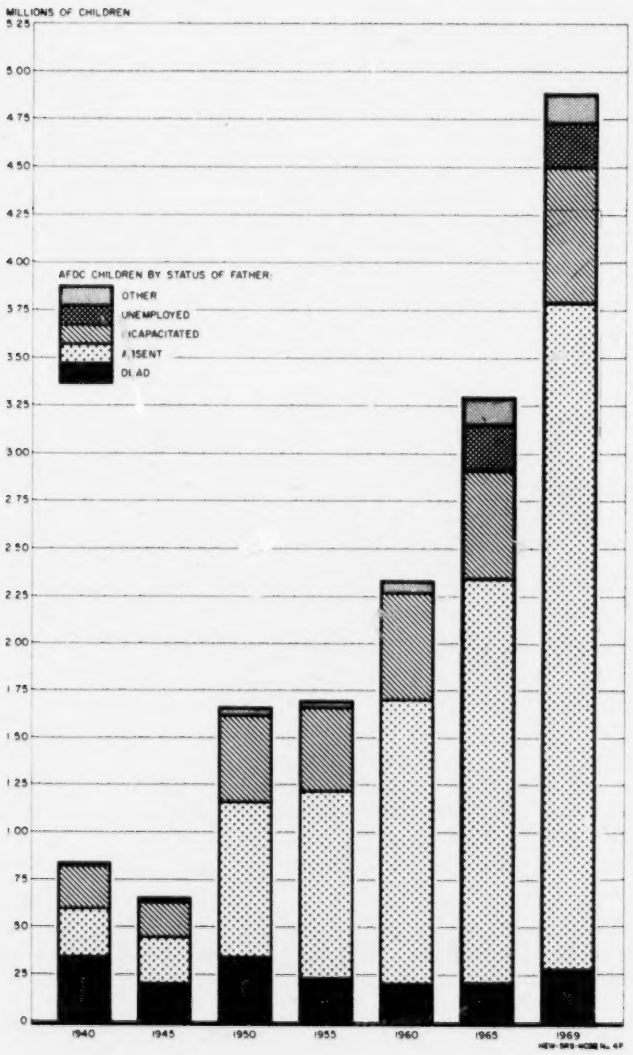
AFDC: Monthly Number of Recipients, Actual January 1964 to Date



(Source: Public Assistance Statistics, September 1971)

Figure 2

Number of Children Receiving Aid to Families With Dependent Children Money Payments by Status of Father, June of Selected Years, 1940 to Date



(Source: Social Security Amendments, 1971, p.48)

Figure 3

before World War II. Increasingly mothers have entered the labor market. In 1969 there were 7,245,000 working mothers with children over six and 4,100,000 working mothers with children under six.

While the growth in the number of women working has been dramatic, the types of jobs held by women has remained relatively stable. Despite increased educational opportunities, decreased importance of physical strength on jobs, increased use of aptitude tests, women still concentrate in a narrow range of jobs. Although there are 250 distinct occupations listed by the Census Bureau, one-fourth of the employed women work in five occupations -- secretary-stenographer, household worker, bookkeeper, elementary or secondary school teacher, or waitress (Hedges, 1970, p. 19).

The manpower projects of the Bureau of Labor Statistics for the period 1968-1980 indicate the need for many more women to seek jobs outside "women's occupations" in the 1970's. In trying to determine whether women will disperse their career decisions, one commentator concludes: "The strong attachment of women to the labor force and the pressures for new sources of manpower in certain professional occupations and skilled trades auger well" (Hedges, 1970, p. 29).

The cautiously optimistic prospect of an overall increased demand and supply of women in the labor market must be tempered with the recognition of present unemployment rates among low-skilled women. In 1970 the unemployment rate for men was 4.4% and for women 5.9%. This gap is explained in part by the fact that women generally have lower educational levels and seek employment in less-skilled jobs. For example in 1970 white-collar workers (primarily men) had an unemployment rate of 2.8%; whereas service workers (with as many women) had a rate of 4.5% (Bell, 1972). The projected increase in unskilled jobs is not expected to be significant. From 1968 to 1970 the total projected increase is approximately 20 million jobs. Only 1.4 million of that increase in jobs is to take place in the unskilled and semi-skilled jobs (see figure 4).

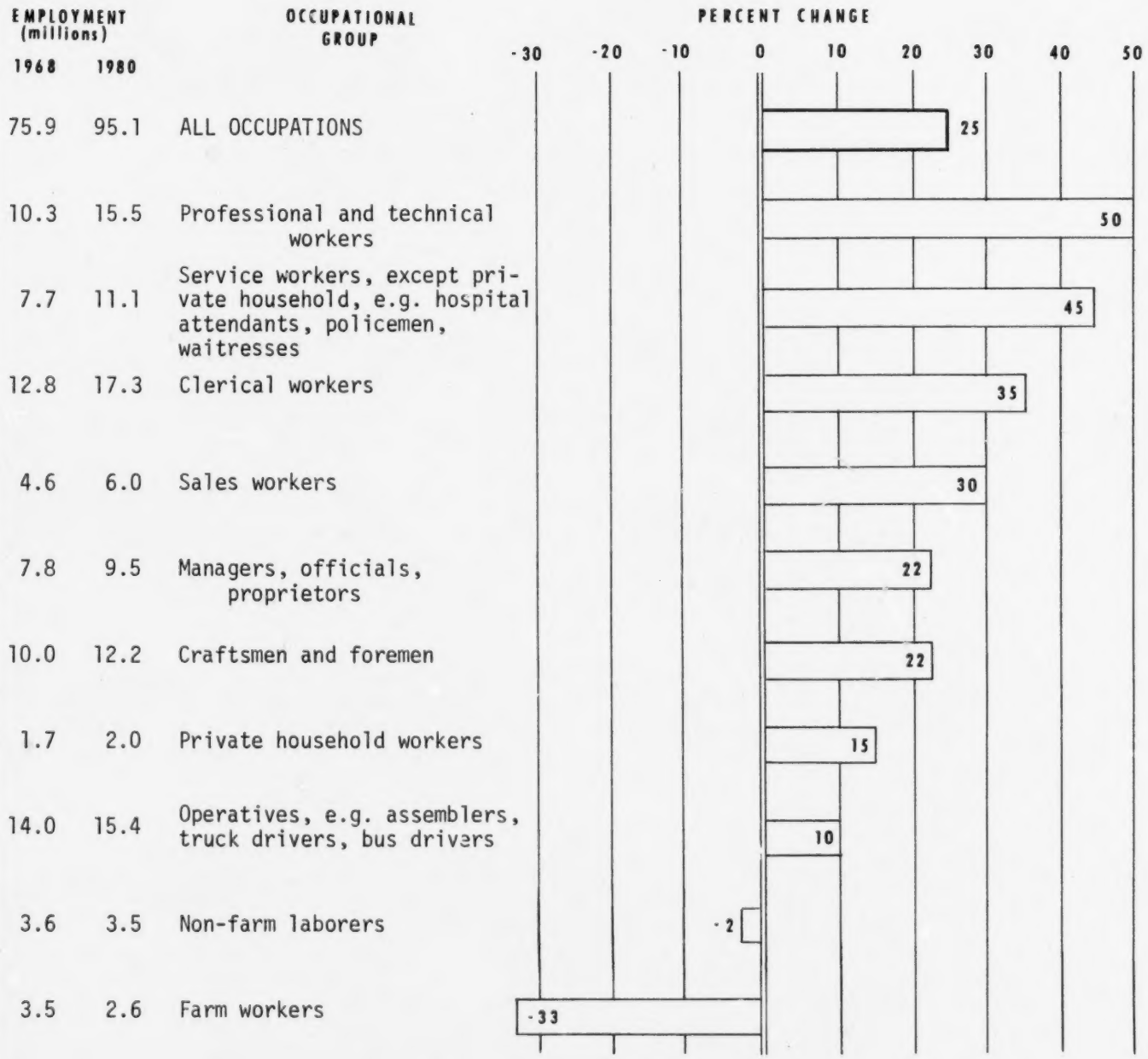
While general unemployment rates among women is significant, unemployment among poor female-headed families is even more severe. For example, in 1969 the unemployment rates for black mothers with married husbands absent with children under six was 15.3% and for comparable white families 10.6% (Waldman, 1970, p. 22).

Day care services have been proposed as a means to ensure that the increasing number of children of the working mothers (30 million at present) receive adequate care. Day care services have also been proposed as a means of allowing and encouraging mothers to work, thereby promoting the equality of women and adding significantly to the "man"-power skills of the nation.

The Concern over Early Child Development Services

Awareness is growing in the United States of the importance of early childhood years in determining an individual's mental, physical, and social status as an adult. The increased prevalence of preschool educational television programs, preschool health care, and preschool educational centers have all arisen because of the hope that providing child development services to young children will significantly reduce their social and economic problems in later years. The

Employment Trends



(Source: U.S. Manpower in the 1970's, 1970)

Figure 4

public is becoming increasingly impressed with the negative consequences of the multi-faceted deprivation suffered by the low-income child.

The extent to which the disadvantaged child had difficulty in school has been documented by numerous studies, one of which states: "The children of poor families also contribute to a disproportionate share of their number to the delinquent and the socially rejected" (Chelman, 1966, p. 2). A day care type setting has been viewed by some as an ideal means for providing child development services to low-income children. The federal Head Start program was implemented based on this rationale. (See chapter four for further background on child development.)

The Emphasis on Family Planning Services

The national concern over the population expansion is reflected in a February 16, 1972, report of the Census Bureau. The report stated that, for the first time in Census Bureau history, most young married women plan to limit their families to fewer than three children.

Furthermore, recent studies suggest that the American people favor governmental support for population control. The Commission on Population Growth and the American Future published a survey that revealed that 57% of the group sampled thought Americans should limit family size, even when they can afford a larger family; 56% thought the government should try to do something to slow population growth; and 87% said the government should make birth control information available to those who want it.

Governmental support for family planning has increased markedly in the past few years. In fiscal year 1971, with the passage of the first explicit family planning legislation (PL 91-572), federal financial support doubled. From 1968 to 1970, 45 states liberalized their laws or policies regarding the delivery of family planning services (Goldman and Kogan, 1971).

The new concern about and financial support for family planning is expected to have a substantial effect on the birth rate for all income groups, especially the poor. A recent study conducted by Planned Parenthood-World Federation pointed out that birth rates among lower-income women declined so sharply between 1965 and 1970 that they bore 1,065,000 fewer children than they would have born at the birth rates for 1960 to 1962 (Rosenthal, 1972).

Low-income and higher-income parents basically share the same views on family size, but actual child-bearing patterns do not coincide with expressed desires. Median income was highest for families with two children ($6,900), lower for families with four children ($6,500), and lowest for families with six or more children ($5,000) (Birch and Gussow, 1970, p. 85).

Presently, only 30% of the low-income women who want and need subsidized family planning services are receiving them (Jaffe, 1971, p. 84). "In those few areas where local agencies have developed energetic, imaginative and dignified programs, the response among welfare clients has been considerable" (Birch and Gussow, 1970, p. 85). Research has demonstrated that family planning is an effective means of reducing and preventing poverty (Family Planning Service Programs, 1970, p. v). Given the success of current

limited family planning efforts among the poor, it seems reasonable to expect that the new financial support for family planning, the liberalization of state restrictions, and the public support for voluntary family planning for all Americans, will enable the poor to realize more closely their desire for fewer children.

The Impact of the Movement for Women's Equality

An informal and diverse alliance of organizations has formed a national movement to campaign actively for women's equality. The provision of day care services has become a priority issue for the movement as it seeks to open opportunities for women.

The chart on the next page compares the official positions of a small sample of the newly formed women's liberation groups and a few of the established women's groups. This limited sample obviously does not speak for every position on day care of every women's group, but it does point out the commonalities among several large and increasingly influential organizations in regard to day care.

Summary

Social conditions and trends cited can be summarized as follows:

1. The number of children on AFDC and the cost of AFDC is substantial at present, and it is expected to increase. Five and a half million children were receiving AFDC in 1970, at a cost of $2.1 billion. In 1972, AFDC costs are estimated at $3.7 billion. Under H.R.1, family payments would total $5.8 billion.

2. The growth in AFDC is affected by two factors:
   - the increase in single adults with children:
     - -- illegitimacy rates among 15 to 19 year old women are rising,
     - -- more unwed mothers are keeping their children,
     - -- 16% of AFDC families are deserted by their fathers, and
     - -- the extension of family planning services has had some impact; and
   - the economic situation:
     - -- among married poor women with children under six who are the heads of their families, the unemployment rate for whites is 10.6% for blacks the rate is 15.3%;
     - -- the unemployment rates for low-skilled jobs (5.3%)is higher than for highly skilled jobs (2.8%);
     - -- of the 20.8 million projected increases in jobs from 1970-1980 only 1.4 million of that increase is in unskilled and semi-skilled jobs,
     - -- many women earn less than men for similar jobs;
     - -- disincentives for low income work with welfare as an alternative.

3. The number and percentage of working mothers is increasing; this reflects a growing acceptance of the important economic role of mothers.

	Eligibility	Developmental Services	Flexible Hours	Community & Parental Control	Voucher System	Federal Admin.	Tax Deduction
National Organization of Women (18,000 members)	Available to all with felxible fees	•	•	•	--	--	•
National Women's Political Caucus		--	--	--	--	--	•
League of Women Voters (142,000 members)	Priority to low income but economic mix important	•	--	•	--	--	--
National Council of Negro Women (4 million members)	Heavy priority for poor	With medical services	•	•	--	--	--
National Council of Jewish Women (100,000 members)	Priority to poor but liberalize eligibility under S2003 for subsidized care	•	--	•	Federal funds only for non-profit care	One agency administration and strong federal standards	--

• means an official affirmative position
-- means no position has been adopted

4. The women's liberation movement provides a motivating force for federal consideration of an increased role in supporting day care and child development programs.

5. The increasing public awareness of the multi-faceted deprivation inflicted upon the disadvantaged child is putting greater attention on the role of early child development services.

The following perspective is obtained by comparing the potential impact of day care on social forces and trends.

The growth of AFDC welfare costs is due to the increase in the number of single mothers with inadequate earnings to support their families. The increase in the number of female-headed households is a basic social force related to increasing AFDC welfare costs. Family size is also directly related to the economic needs of AFDC families. Federal initiatives, other than day care, are more appropriate for consideration in this area with research and program focus on family planning, promotion of family stability, and adoption practices.

Federal programs that have provided AFDC mothers with training, day care, and other services have achieved some limited success in placing mothers in employment. Unfortunately, the earnings of such mothers have often not been adequate to allow them to leave welfare rolls altogether. Thus, we are led to expect that day care, while relevant in theory, can at best serve only a limited role in reducing welfare costs. Specifically, it can be expected that day care will be most effective for those AFDC mothers with highest earning powers and smaller family sizes. At present, most mothers with these characteristics are already working under conditions supported in part by existing programs.

The current social forces leading to a relative decrease in the availability of low-skilled and unskilled jobs can be expected to exacerbate both the number of families in need and the limited effectiveness of day care and all other support services in reducing welfare costs through the employment of welfare recipients.

The current trends toward smaller families and increased use of family planning offer major potential for significantly reducing the welfare problem.

The women's liberation movement -- and the general societal attitude toward women it reflects -- has led to a greater acceptance of welfare mothers gaining employment; this has increased the feasibility of federal policies based upon women working and suggests a growing willingness on the part of all mothers to seek employment. The women's liberation movement more broadly and more fundamently represents a force, embryonic at present, that may develop increasing pressure for societal provision of day care services for all children, independent of the welfare problem.

The concern for better opportunities for the development of disadvantaged children, however, is an immediate and a pressing issue. Thus, the potential relationship between day care and child development services for the disadvantaged is clearly a major policy issue.

1.2 Federal Objectives in Day Care

The following federal objectives in day care and child development warrant consideration because they all have been treated or implied in public and governmental debate. We present them only because they figure so prominently in most discussions concerning day care and child development, and not because we recommend their adoption. (For a more detailed presentation see "An Explication of Some Alternative Federal Strategies for the 70's," an intermediary paper submitted to OEO in May, 1971, by this Policy Studies Group.)

1. Decrease the immediate or short-term cost of current federally supported welfare programs. This objective would be accomplished through the provision of day care services to welfare recipients who can work but are not able to do so because of their need to take care of children in the home. Their income would thus replace a part or all of their current welfare payments. The net savings in welfare financial support would, of course, have to consider the federal share of day care services provided. Of interest are both the potential savings under the current welfare program and the welfare reforms proposed under H.R.1 and other welfare reform proposals. Note that an additional benefit to welfare recipients might accrue if they are able to escape the "stigma" of welfare by leaving the welfare rolls.

2. Increase the net income of existing poor. The poor population includes both the welfare recipient and the working poor (families with incomes greater than the minumum for welfare payments but still below the poverty line). The net income to this total group could be increased by the federal provision of day care in several ways. First, for two-parent, "working-poor" families, day care could allow the second parent in families with children to work, thereby increasing family income. Second, for working-poor families already using day care, the assumption of all or a portion of the cost of day care by the government would increase the net income of the existing poor. Note that in some cases the federally supported day care may be of higher quality or value than that already used by working poor. Therefore, the substitution may benefit the poor beyond the savings to the family of the previous cost of day care. In general, day care can be viewed as an income transfer "in kind."

3. Establish a work requirement as a condition of welfare. It is argued by some that all welfare recipients who are able to do so should either work or make themselves available for work as a condition of receiving welfare benefits. In relation to this objective, day care is seen as a means of freeing at least some welfare parents who are able to work to do so. It has also been argued that if work or the jeopardy of work (requirement for work registration without the assurance that in every case a welfare recipient will be placed in a job) is made a condition of welfare, that this serves as a deterrant to "lazy" families for either registering for welfare or taking personal actions which maintain dependence on welfare.

4. Improve the equality of children's opportunity by enhancing the development of the disadvantaged child. It is argued by some that child development services can be provided to disadvantaged children receiving day care services and further that such services will help to equalize the opportunities for

development of disadvantaged children by making up for or providing a substitution for developmental factors that many children obtain as a part of family living. It is also argued that a child's maturation in an environment where one or more parents' work is more likely to have the child adopt work as an adult life-style. Many feel that, in addition to providing for equal developmental opportunity for all children, this objective may reduce the costs of welfare in future generations.

5. Enhance the equality of women. It is argued by some that the social responsibility for child care often assigned to women detracts from their ability to participate in other activities, such as employment, training and career development, and the use of leisure time, especially as compared with men. Federally supported day care -- by increasing either the supply of convenient and otherwise acceptable day care, or by reducing the financial cost to women of day care, or both -- would enhance the equality of women in American society.

6. Provide adequate day care to children of currently working parents. Many children whose parents are now working are not currently receiving day care in licensed facilities. It is argued that some or all of these children are receiving inadequate care. The role of federally supported day care under this objective would be to replace existing inadequate care with at least adequate care.

7. Support the development of the most effective and efficient delivery system. The federal government has the option of promoting two basically different structures for the day care industry. One alternative structure for the day care industry is a competitive, market-oriented structure. This system places central reliance on consumer choice and supports a diversity of day care services furnished by a variety of providers. Since the key to this system is parent choice, the parents must have sufficient purchasing power. Providers would thus "compete" for consumers with parent preferences (that is, market forces) determining the rate and nature of growth of the different day care programs. The free market system does not imply an industry without controls or regulations. Regulations are a part of all competitive U.S. industries.

   The second major alternative for the day care industry is a centrally planned, centrally controlled, and centrally operated industry. In this system, decisions about the nature, type, availability and sponsorship of day care in a given region would be determined by a central agency (policy council), which would design, approve, supervise, and operate all day care services in the region.

   The essential difference between the two systems is the control of the purchasing power. In the market-oriented system, parents purchase; and in the centrally planned system, the agency purchases.

2.0 EXISTING CHILD CARE SYSTEM

In considering the degree to which increased federal involvement in child care will yield impacts, benefits, and potential costs in relation to federal objectives, it is necessary to examine the existing child care industry and the forces that have shaped its development. Unfortunately, comprehensive, up-to-date information concerning the child care industry is not available. The information presented in this section was drawn together from diverse sources and must be interpreted with caution.[1]

A day care industry of significant size currently exists in the United States. The current industry consists primarily of informal arrangements, most of which are free or inexpensive. (Informal does not imply that arrangements are haphazard or unreliable.) The formal child care industry, composed of family day care homes and day care centers serves only 15% of the children of working mothers. A fairly comprehensive picture of center care can be obtained from available data, but very little is known about care provided in family day care homes or in informal arrangements. Day care centers are generally small operations, either privately owned and operated or operated as not-for-profit services.

The average annual costs per child for center care are $400 for basic care and supervision; $700 for care which may include an educational component; and $1,300 for more comprehensive developmental programs (Day Care Survey - 1970).

Of the estimated $1.4 billion spent annually for child care, $229 million comes from federal sources (Tables 1, 2). About half of these funds go directly for center care.

2.1 Magnitude and Financial Sponsorship of Existing Day Care Industry

In 1965 approximately 17.3 million children under 18 years of age had working mothers (Low and Spindler, 1968). Of these children, 3.8 million were under six years of age. By 1969, the number of preschool children of working mothers had increased by 2 million, a 53% increase over 1965. (The 1969 figures for the number of children under 14 years of age and for child care arrangements are not available. Therefore, the following summary relies on 1965 data, the latest information available. Notable changes based on later data are included when possible.)

About three-fourths of the day care arrangements are free. Thus, all national expenditures for child care, which amounted to $1.4 billion in 1970, go to purchase only one-fourth of the total care provided.[2] If all day care had been purchased at the same rate as the paid care, the total national cost would have been $5 billion. This total is based on the projected cost of day care for all working mothers; the total day care industry is even larger since it is also used for other purposes.

The day care arrangements and respective expenditures are shown in Table 1. Fifty percent of total expenditures is for care in someone else's home; nearly 40% for care in the child's own home; and a little over 10% for center care.

The extent of federal involvement, 16% of total dollar volume (Table 2) which may be supplemented by state and local matching funds, is a relatively small portion of total day care costs and aids less than 5% of all children cared for. However, the financial impact of federal funds may be greater than its market share. Most day care supported by federal funds is related to two major objectives, child development and employment of disadvantaged or minority groups. Payment mechanisms and delivery systems vary widely, ranging all the way from the community planning mode of Head Start to federal income tax deductions.

Table 1: Estimated Annual Payments by Working Mothers for Day Care, 1965 (Children under 14)

Arrangement	Number of children (thousands)		Percent of total number of children receiving care*		Total estimated expenditure** (thousands)	Percent of total expenditures for care*
Care in own home by:		1156		9%		38%
Non-relative who only looked after children	581		5		$160,425	16
Non-relative who also did housework	575		5		$210,975	22
Care in someone else's home by:		1932		16		51
Relative	953		8		$156,425	16
Non-relative	979		8		$335,200	35
Other arrangements:		328		3		11
Care in group center	265		2		$104,800	11
Other paid arrangements	63		0.5		$ 4,900	.05
Total paid arrangements	3,416			28	$972,725	100*
Arrangements for which mother did not pay	8,861		72			
Total	12,287		100*			

Source: Based on data from Low and Spindler, 1968, p. 107

*Totals do not equal 100% due to rounding.

**The following estimates were used in calculating expenditures:

Families paying under $5 per week: estimated annual expenditure, $125
Families paying $5-7 per week: estimated annual expenditure, $350
Families paying $10 or more per week: estimated annual expenditure, $600

Table 2: Estimated Federal Support for Day Care for Low-Income Working Mothers, 1970

Program	Federal expenditure (millions)	Number of Children		
		6 or younger	Older than 6	Total
Social Security				
Title IV(a)				
AFDC-Direct Payment	$96	62,000**	50,000**	112,000
Income Disregard	$50	146,000**	119,000**	265,000
Work Incentive (WIN)	$18*	57,000	69,000	126,000
Head Start (OEA Title II-B)	$36§	30,000	--	30,000
Concentrated Employment Program (CEP)(OEA Title I)	$ 8 (1971 est)	6,000**	4,000**	10,000
Migrant (OEA Title III-B)	$ 1 (1971 est)	1,000	1,000	2,000
SUBTOTAL	$209	302,000	243,000	545,000
Estimated federal subsidy through income tax deductions	$ 20¶	--	--	--
Total	$229			

Source: Child Care Data and Materials, United States Senate Committee on Finance, June 16, 1971, pp. 9 and 22.

Social Security Amendments, 1971, Hearings of the Committee on Finance, United States Senate, July 27, 29, August 2, 3, 1971.

*$52,000,000 appropriated, $18,000,000 spent.
**Estimated on basis of 1969 AFDC Survey.
§Estimated from page 9, Child Care (reflecting only that portion spent for full day care of working mothers.)
¶Tax deductions for 1966 of $131,000,000 for an estimated subsidy of $20,000,000

Note: There is also federal support in the amount of 15% of $21,000,000 for Child Welfare Services. There are no quantitative data on federal support of Model Cities Day Care.

The major portion of federally supported day care is provided to the poor; in total, approximately 550,000 poor children have some or all of their care financed by the federal government. Federal funds provide support for approximately equal numbers of preschool and school-age children.

It is of interest to determine if federal support indicates a preference in favor of one or another type of arrangement. Data of this type is only available on center care. About half of the federal funds go directly to day care centers.[3] Tax deductions and income disregard undoubtedly provide an additional indirect federal subsidy to day care centers.

For center care, the government supports almost exclusively non-proprietary care when it provides funds directly to center operators. Only .7% of the receipts of proprietary centers come from the federal government, compared to 43.9% of the receipts of non-proprietary centers (Day Care Survey- 1970). However, income disregard for AFDC recipients and income tax deductions undoubtedly provide some additional support to proprietary centers. For centers as a whole, 17% of the parents' fees are paid by some combination of parent and public assistance funds. The amount of federal funds proprietary centers receive through parents' fees is not known; however, since proprietary centers are more apt to charge parents fees, some federal funds must be reaching these programs as well as family day care homes through parents' payments.

Center care is heavily subsidized by revenue sources other than parents' fees. Only about one-half of the total costs of center care (99% of costs of proprietary centers; 20% of the total of non-profit centers) is provided through parent fees. The federal government, primarily the Department of HEW, pays directly one-fourth of the total costs of center care; state and local governments pay 11%. The remainder comes from community organizations, individuals, and other sources (Day Care Survey, 1970). For non-proprietary centers, sources of funds vary with the size of the programs. Small centers receive more funds from church sources. Middle-sized centers tend to be funded by Community Action Programs and welfare, while large centers obtain more funds from community organizations (Day Care Survey - 1970).

2.2 Types of Day Care Arrangements and Their Costs

A variety of arrangements are utilized by working mothers for their children. Arrangements are generally categorized by the settings in which the care is provided and the services which are included.

Types of Child Care Arrangements

In this and supporting reports, child care or supplementary child care refers to the care and supervision which augments care provided by the parent(s) or guardian(s) of the children. The responsibility for supplementary care is delegated by the parents or guardians and is generally provided in their absence. Such care of children is considered supplementary since the parent or guardian maintains the primary responsibility for rearing their children. (This definition excludes the placement of children in foster homes for extended periods of time and the legal adoption of children.) The term child refers to any person under 14 years of age for whom care is needed. Care includes the variety of activities and services provided for the children by the

Table 3: Estimated percentage distribution of centers' annual receipts from various revenue sources and ownership of center

Sources	Percent of annual receipts reported by:		
	Proprietary	Nonproprietary	Total
Parent fees	98.7	21.5	52.4
Federal Government			
Department of Labor	0.0	1.1	0.7
OEO (CAP)	0.0	8.3	5.0
HEW	0.1	31.3	18.8
Other Federal	0.6	3.2	2.2
State government	0.1	5.5	3.3
Local government	0.0	12.5	7.5
Community organizations	0.1	9.2	5.5
Individual contributions	0.1	1.1	0.7
Other sources	0.3	6.3	3.9
Total percent received	100.0	100.0	100.0
Total dollars received (in thousands)	179,824	269,242	449,066

(Source: Day Care Survey - 1970, page 92)

Table 3

delegated caregiver. The number and kinds of activities included in care may range from the provision of supervision, of food, and of other physical necessities for custodial care to comprehensive supportive services for meeting educational, medical, dental, social and psychological needs of the children. The first is frequently called day care and the second, child development services.

The most frequent settings for day care are the child's own home, someone else's home and center care. These are generally defined as follows:

In own home: Care for the children provided by a single family member within the child's (children's) own home. Caregiver may be a parent, another relative, or a non-relative who may or may not perform some household tasks while providing care.

Family Day Care Home: Care provided in the caregiver's home, usually for no more than six children, including those of the caregiver.

Day Care Center: Serves groups of seven or more children. Children are often grouped according to their ages. Centers usually accommodate children two and one-half years of age or older. Centers may be housed in private residences, churches, schools, or other community buildings, or in specially constructed facilities.

These definitions generally apply to the care discussed in this report. However, different sources of information may differ somewhat in exact numbers of children in family day care homes or centers. Such discrepancies do not, for the most part, affect the general picture of child care presented in this report. In this report, group day care homes, treated as a separate category in some studies, are included either in the family care or the center care category, depending on the number of children cared for.

Description of Day Care and Child Development Services

As used in public debate over proposed child care legislation, a certain vagueness surrounds the definition of day care and child development services. At the general level, child development services are often thought of in terms of their general objective; i.e., enhancing the development of and/or the developmental opportunities for children. In order to analyze the potential cost and benefit of such services in any setting, it is necessary to establish a reference definition of such services. Analysis of proposals for the provision of comprehensive child development services indicates that child development services can be defined in terms of a number of discrete components which can be examined and evaluated individually and to which costs can be assigned. These services typically include: educational, nutritional, medical, dental, psychological, and parent education. In some instances, transportation for children and training for personnel are also included.

Day care: Offers custodial care, food, shelter, and adult supervision, but no additional services.

Developmental Care (in a day care setting): Offers custodial care plus one or more child development services, but usually not all.

Child Development Services

Nutritional Services: These services primarily provide food for children. They vary by the number of meals and/or snacks provided and their nutritional content. For pre-

school children in full day care, one meal and two snacks are considered minimum. One of the goals of these services is to contribute to the child's well being through adequate nutrition.

Educational Services: These services include a variety of experiences in all areas of development, especially in language and communication, concept learning, perceptual development, and attention span, as well as specific knowledge in science, reading, social studies, and numerical skills. The objective of these services is to help children to obtain information; to learn skills and facts necessary for formal education; to think of new ways of doing things; to appreciate and enjoy learning and to create a desire to continue learning; to learn how to live with others and enjoy the experiences; and to become self-reliant and confident.

Medical and Dental Services: Medical services range from the maintenance of medical records, first aid, and assistance to parents in locating sources of care to complete physical examinations including vision and hearing tests, immunizations, periodic re-examinations, and referral for treatment or the provision of treatment to correct defects. Dental services may include an annual examination, referral and/or follow-through treatment to insure correction of defects. The primary objective of both medical and dental services is to obtain and to maintain adequate physical health for the child.

Psychological Services: Psychological services may include: identification and diagnosis of psychological problems; identifying how psychological problems relate to the attitudes, behavior, and situation of the family; working to change the behavior of children in ways supportive to improved psychological development; and referral to, or provision of, psychotherapeutic services. The objective of psychological services is to facilitate the participation of children in daily activities and in family life.

Social Services: Social services involve a range of possible activities aimed at helping the child (and his family) to participate actively in the child care program and in family and community life. Social services may involve the recruitment and enrollment of children in the day care program; working with parents, providing transportation to day care settings and to other services, such as physical examinations, and other liaison activities between the caregivers, parents, and the community.

Parent Education: This service can include providing to parents: information on the child and his behavior; information and referral to community services and resources of potential benefit to child and/or family; information on the services offered by the day care center; and providing advice and education on child rearing, nutrition, health and family life, and counseling.

Transportation: Transportation may be provided for bringing children to the care location and/or for excursions as a part of the learning experiences. In either instance, the provision of transportation enables children to participate in the program.

All of the services can go beyond the standard for "adequate care." For example, educational experiences may help children work toward their potential by supplementing educational services received at home and in school; nutritional services can provide better quality, greater variety, or more pleasing meals, as well as contributing to the child's total nutritional needs; dental services and medical services, through diagnosis and referral, can aim at having each child attain higher health standards.

Psychological services can include the detection of a variety of behavior problems. Social services can enable both the children and their families to participate in beneficial child care arrangements.

In addition to the above services provided directly to the child and his family, the training of child care personnel is sometimes included in a listing of child development services. Training activities include the provision of reading materials, demonstrations, discussions, staff meetings, orientation, formal classes and complete training programs. Although the ultimate objective of training is the improvement of the quality of care children receive, it is sometimes used as a means for utilizing community residents, especially in programs such as Head Start.

Child Care Costs

The cost of purchasing child care in general and custodial day care in particular is a critical policy variable in considering increased federal support to day care services. Pertinent data include the minimum cost levels at which custodial day care can be purchased for each of the various types of day care arrangements (including informal arrangements, family or group care, and center care). Coupled with a knowledge of parent preferences and willingness to use these various types of care at various cost levels, part of the necessary foundation is laid for the development of realistic program cost estimates, pricing policies, and selection of appropriate payment mechanisms. Unfortunately, in spite of major national surveys in this area, major gaps in knowledge remain.

Cost Estimates

There is considerable debate over the respective costs of custodial child care in comparison with developmental child care. To gain perspective on this debate, it is instructive to take into consideration not only estimates of costs but also empirical data derived from actual operating experience. (Note 4 presents a detailed analysis of cost estimates and survey data related to custodial day care and developmental care by service components.)

Existing Child Care Costs

The most recent and complete survey of actual day care cost is provided by the Day Care Survey - 1970. As would be expected, the cost of existing child care arrangements and the services provided vary widely throughout the industry. The most expensive, most comprehensive services tend to cluster in nonprofit centers, which, as mentioned earlier, are heavily supported by federal funds. Higher costs and comprehensiveness of services are not characteristics of the center mode of care but rather of nonprofit centers. Many proprietary centers offer care at about one-third the cost of nonprofit centers. Statistically, for whatever it means, the difference in cost between proprietary centers and nonprofit centers is roughly equivalent to the amount of federal and state or local subsidy provided to the nonprofit segment of the center industry.

Free Care

As indicated previously, approximately three-fourths of the arrangements used by working mothers are free -- at least, money is not exchanged for the services -- (Low and

Spindler, 1968). These free or inexpensive arrangements usually consist of care by the father or other relative in the child's home; by the mother while working; or the child is in school or the child cares for himself. The actual services delivered in these arrangements are not known.

Family Home Care Costs

There is little national information about the services and costs in family day care homes. Most family day care homes provide lunch for the children, about two-thirds provide breakfast, and about a quarter of the homes provide dinner. Snacks are provided in about two-thirds to three-fourths of the homes (Day Care Survey - 1970). Although some educational activities may take place, other child development services are not formally included in family day care unless the caregivers are a part of a larger day care system. Most family day care is provided in single family dwellings.

Nationally, 50% of family day care homes have weekly fees of between $7 and $12.99 -- $364 to $776 per year (Day Care Survey-1970, p. 23). Fees are generally reduced for the second or third child from the same family.

Center Care Costs

Costs of center care vary with the services provided and with ownership (proprietary or nonproprietary). Proprietary centers nearly always have lower annual per child costs than nonprofit programs, $412 compared to $1,250 for preschool children, but usually provide services. Approximately one-fourth of the day care centers provide care at a cost of $400 per year, and about an equal number provide care at a cost of $1,250 per year. The remaining 50% at about $800 per year (Day Care Survey-1970). The factors contributing to these differences in costs have not been explained by the literature. The more expensive child care programs generally report more services provided, higher teacher salaries, and higher staff-to-child ratios. More expensive centers are also newer, are more often operated by community agencies, have more equipment, including more child-scale equipment and facilities, more extensive health and education programs, serve disadvantaged families, and have more parent involvement than the lowest cost programs. Differences in efficiency have not been studied. Regional variations influence the costs of care. Child care services tend to cost less in the southern part of the nation.

Two factors influencing the total costs of care for which data are available are personnel and start-up costs. Personnel costs range from 45-80% of total center budgets. Proprietary centers usually spend less for personnel than non-proprietary centers. Approximately 127,000 paid staff members are employed in day care centers at a median monthly salary of $358 (Day Care Survey-1970). Salaries range from less than $300 per month in the lowest-cost centers to $380 per month in the highest-cost programs. Staff characteristics vary with the services and costs of care. Few staff members in the $400 programs have had education beyond high school and most are not certified teachers. About half of the staff members in the most expensive centers have some college education and are more apt to be certified.

The latest national survey of day care center costs was summarized as follows:

Good custodial centers approximate good home care. Centers providing custodial care were defined as those that offer "...that kind of care which is necessary for maintaining the physical well-being and safety of the child but without any systematic

attempt to educate him. Good custodial care approximates good home care. They have small child to staff ratios, variety and sufficient quantity of equipment and playthings, adequate space, safe environments, warm and child loving adults, nutritious food and happy children." (Day Care Survey - 1970, p. x)

"On the average, a center receives $400 yearly per full-day child for essentially custodial care, $700 for a basic package of services that typically includes an educational component, and $1,300 for reasonably comprehensive developmental programs." (Day Care Survey - 1970, p. 2F)

No attempt was made to evaluate day care centers. Good and bad Type A [custodial] centers can be found (Day Care Survey - 1970, p. x).

John Wilson in the introduction to the Day Care Survey - 1970, states, "While information on parent outlays and center incomes is not complete and inferences must therefore be drawn with caution, it is reasonable to assume that actual costs in 1970 dollars to deliver comprehensive day care services are somewhat lower than usually estimated."

Cost Estimate

The Office of Child Development prepared the following estimates[4]:

	Preschool custodial per year	Preschool developmental care per year
Family home care	$752	$1423
Center care	$813	$1245

These estimates are reduced from earlier estimates in 1967 which estimated the cost of custodial preschool care in centers to be $1,245 and developmental care in centers to be $2,320 per child per year.

The earlier higher cost estimates may reflect a tendency not to underestimate the level of adequate care (for fear of harming children coupled with a desire to provide as much child development services as possible), and the subsequent revision of estimates may reflect increased confidence based on a fuller knowledge of actual existing programs.[5] The general price level at which adequate care can be purchased for each type of arrangement is still not clearly established. Given the critical policy implications of this question, further research on this issue is recommended for priority attention.

2.3 Parent Preferences, Patterns of Usage, Consumer Satisfaction, and Other Factors Affecting Demand

Current Patterns of Use

As shown in Table 4, a variety of child care arrangements are utilized by working

mothers in the United States. Most frequently arrangements for children under 14 years of age are within the child's own neighborhood, either in his own home (46%) or the home of someone else (16%) (Day Care Survey-1970; Low and Spindler, 1968, p. 70). Other arrangements in order of their use by working mothers: the mother cares for the child while working (13%); child cares for himself (8%); and group care (less than 5%).

Nearly one million children care for themselves. Although 21,000 of these children were under six, the remainder were divided equally into children six to 11 and children 12 to 13. Also, the majority of these children (59%) were left alone for less than 10 hours per week (two hours per day). Almost all of the rest (34%) were left alone for 10 to 19 hours per week. Thirty-seven thousand children were left alone for 40 hours or more per week but 33,000 of these children were 9-13 years of age. None was under six years of age (Low and Spindler, 1968).

No day care arrangements are needed for approximately 15% of the children of working mothers since their mothers work only while the children are in school.

The amount of time children spend in day care varies. Forty hours or more of care a week are provided for about one-fourth of the children, while an equal number are cared for less than 10 hours per week (Low and Spindler, 1968, p. 100). Care is provided in multiple arrangements for approximately 11% of all of the children of working mothers, not including school time (Low and Spindler, 1968, p. 73).

Relatives are the primary care givers while mothers work. Fathers care for 15% of the children and other relatives care for an additional 29%.

This same general pattern of care is evident for all sub-groups of working mothers, although the specific proportions within each category vary somewhat with family income, ages, and numbers of children and whether the mother is employed full- or part-time. Regardless of family income, the arrangement most frequently used is in the child's own home. However, in low income families, somewhat less care takes place in the child's home and caretakers are more apt to be relatives, while in higher income families a greater proportion of in-home caretakers are non-relatives.

There are other differences between the higher and lower income families (Table 4). The differences are in the number of children who care for themselves, in the number of mothers who care for their own children while working, or work while their children are in school, and in the number of children cared for by relatives. One of the most prominent differences is in the number of children, especially of preschool age, who care for themselves. In families with incomes under $3,000, 1½% of the children under six care for themselves. In 1965, this totaled 10,000 children. Although the percentage of the total is less than half that for the lowest income families, there were 9,000 preschool children from families in the $3,000 to $5,999 range left to care for themselves. As income increases, fewer preschool children are left alone. The same trend is evident for school-aged children. Fifteen percent of the children between six and 13 are left to care for themselves in the lowest income families while only 10% care for themselves in the highest income families. In 1965, this included 186,000 children from the lowest income level families and 304,000 from families in the $3,000 to $5,999 income range.

The other arrangements which appear to be most affected by family income are the proportion of mothers who care for their children while working and those who work only while their children are in school. More of the low income mothers care for

TABLE 4 CURRENT CHILD CARE ARRANGEMENTS

	TOTAL		Less than $3,000	
	younger than 6	6-13	younger than 6	6-13
TOTAL	100.0%	100.0%	100.0%	100.0%
Care in own home	46.8	44.3	44.0	38.2
Father	14.7	15.3	6.3	8.0
Other relative	16.9	22.0	29.4	26.5
Under 16 years	2.1	5.7	7.6	4.8
16 years and over	14.8	16.3	21.7	21.7
Nonrelative	15.2	7.1	8.3	3.7
Nonrelative who looked after children	8.7	3.3	6.5	2.7
Nonrelative who usually did additional household chores	6.5	3.7	1.8	1.1
Care in someone else's home	31.1	9.3	29.7	9.5
Relative	14.9	4.7	15.2	5.9
Nonrelative	16.2	4.6	14.5	3.6
Other arrangements				
Care in group care center	5.4	0.5	3.4	0.6
Child looked after self	0.6	11.5	1.6	14.9
Mother	15.8	33.7	21.2	36.4
Mother looked after child while working	15.0	12.1	20.8	20.6
Mother worked only during child's school hours	0.8	21.6	0.4	15.8
Other	0.3	0.7	--	0.4

Source: Low and Spindler, 1968, pp. 92-93.

BY FAMILY INCOME AND AGE OF CHILD

$3,000 - $5,999		$6,000 - $9,999		Over $10,000	
younger than 6	6-13	younger than 6	6-13	younger than 6	6-13
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
38.1	44.2	54.8	47.0	50.6	44.0
13.4	16.2	20.3	18.8	13.3	12.4
14.6	22.8	15.5	20.9	12.0	19.3
1.2	7.1	1.3	6.0	0.4	3.5
13.4	15.8	14.2	14.9	11.7	15.9
10.1	5.3	19.0	7.3	25.3	12.3
6.1	3.3	11.8	3.2	9.9	4.1
4.1	2.0	7.3	4.1	15.4	8.1
36.3	11.0	28.5	8.9	26.7	7.2
17.8	5.7	14.5	4.3	8.9	3.1
18.5	5.2	14.0	4.6	17.8	4.1
6.8	0.2	4.1	0.6	7.7	0.8
0.7	11.7	0.2	10.9	--	9.9
17.9	32.6	11.8	31.9	15.0	37.0
17.7	13.0	10.6	8.3	12.9	11.3
0.2	19.6	1.1	23.6	2.2	25.7
0.2%	0.3%	0.7%	0.8%	--	1.2%

Table 4

their children while they are working; 21% of the children from families with incomes under $3,000 are cared for in this way, while only 13% of children from families with incomes over $10,000 are cared for by their mothers while their mothers are working. The trend for mothers who work only while their children are in school is the opposite. Fewer mothers at the lowest income level work only while their children are in school (one out of seven) while one out of every four mothers from the over $10,000 level works only during the children's school hours.

There are also some differences by income among those who care for the children. The proportion of children cared for in their own homes increases with family income from 44% for the lowest income families to 51% for those with incomes over $10,000. Children in lower-income families are more apt to be cared for by relatives than are children from higher income families. Nearly 8% of the children being cared for by relatives are relatives under 16 years old. There is an increase with income in the number of caretakers who also do housework from less than 2% among those in low income levels to 15% among those at the highest income levels.

As is evident from the general patterns of care, formal arrangements in either family day care homes (about 10%) or group care (around 5%) accommodate very few children of the nation's working mothers (Day Care Survey-1970; Low and Spindler, 1968, p.70) In 1970 this totaled approximately 1.3 million children (Day Care Survey-1970).

There are some clear differences between families using formal and informal child care arrangements. Users of day care centers have fewer children, are more apt to be single parent families, and have an annual family income slightly below the national average.

Consumer Satisfaction

Initially, choices of child care arrangements are strongly influenced by the cost and the convenience of the care to the family. Continued satisfaction with arrangements appears to be related to qualities of the caretaker.

Distance from home is a second factor affecting the use of child care services. Although no national data are available, one mile or less seems to be the distance that about 70% of the consumers are willing to travel to deliver their children to child care settings (Emlen, 1971; Day Care: Planning to Meet Community Needs, 1970).

Most working mothers report being satisfied with their arrangements. (Day Care Survey-1970; Low and Spindler, 1968, 110). Changes desired by center users are for improved center care. Leaving children with relatives under 16 years old, in the home of a non-relative or to look after themselves are viewed as the least satisfactory arrangements.

Satisfaction with formal arrangements outside the child's home has been found to be somewhat more child centered than the initial reason for selection of care. In family day care, the caregiver's concern for the child was found to be the strongest factor in the mother's satisfaction with the arrangement (Emlen, 1971). In another small study, personal attributes of the caregiver and quality of care were the criteria cited nearly as frequently as convenience as reasons why they chose their child care arrangement (Who Cares for the Children?, 1970).

Parents' Preferences and Other Factors Affecting Demand

In addition to estimates of the total demand for child care, information about demand for specific types of care must be considered in planning for services. Indications of potential demand for services are waiting lists for some programs, expressed preferences for types of care, the number of mothers currently working who would change arrangements if their preferred alternatives were available, trends in the employment of women and patterns of utilization.

Approximately 164,000 children are on waiting lists for day care centers. Eighty percent of these are on the waiting lists for non-proprietary centers. A part of this demand, however, is apparently due to the uneven distribution of centers since there are estimated 63,000 vacancies (evenly divided between proprietary and non-proprietary programs) in other day care centers (Day Care Survey-1970).

Expressed preferences for child care arrangements vary some from the actual patterns of usage. While care in their own home is the expressed preference of the majority of working or potentially employed women at all income levels, center care is the next most desirable. About one-third of the working mothers, including those using other types of care, express preference for center care and about an equal number of non-working mothers say that if they went to work they would prefer to have their children cared for in centers (Day Care Survey-1970).

The clear first preference of parents is for good care, food, and safety of the child. The specific services parents consider desirable are qualified staff and child development related educational and medical services. Closeness to home and low cost are particular concerns for low-income families.

The amount parents are willing to pay for desired care, however, is around $10 per week for preschool children and less for school-age children. More than half of the mothers of school-age children said they would not be willing to pay anything for their care (Day Care Survey-1970). This reflects actual behavior in terms of the age of children left to care for themselves.

Interpretation of parent preference data is difficult since parents may tend to express preference for the more socially acceptable services. Also, many respondents to preference surveys indicate a lack of information about the range of possible child care arrangements (Who Cares for the Children?, 1970; Zamoff, 1971).

Besides preferences for types of care, there are some general trends which could increase the demand for services of all types. Trends and changes that could effect demand include the growth, nature, and size of families; changes in public attitudes toward the employment of women and toward different patterns of child care; changes in the value the public places on preschool education; and changes in the labor market.

Participation of women in the labor force is affected by (a) the number and ages of the children in the family; (b) the educational level of the mother; (c) stability of the marriage; and (d) presence in the household of adult female relatives. Trends in these factors show a decreasing number of children per family, increasing levels of mothers' education, increasing numbers of disrupted marriages, and decreasing numbers of female adults living in the households. The implications of these trends are that not only will there be greater numbers of women in the labor force in the future, but that the rate of women joining the labor force will increase. Therefore, the need for

child care can be expected to increase over the next decade. The decrease in family size and the resulting decrease in the number of births and the number of preschool children over the next decade could increase the demand for day care, since women with smaller families have higher rates of participation in the labor force. Also, women with higher levels of education are those who are having small families, which tends to increase the demand for day care even more (see Final Report, VIII).

During the last decade the labor force participation rates of mothers of preschool children have increased more rapidly than the rates of mother of older children (60% compared with 20%). Both the total number of working women and their rate of participation are expected to increase during the 1970's (Travis, 1970).

There are also corresponding changes in the attitudes of the public, especially among younger people, toward greater acceptance and support both of women working and the care of children outside of the family setting. If these younger people carry their attitudes with them through the decade, this could also lead to an increased demand for day care (see Final Report, VI).

A trend that could directly affect the components provided in child care programs is the increased enrollment of preschool children from high-income families in nursery schools. While mothers from higher-income families are less apt to work and do not utilize day care, they evidently feel some preschool experience outside of their homes is desirable. This trend may have two different implications for the provision of day care. First, this trend may filter downward to lower-income middle-class families, who may also desire such preschool experience for their children but who cannot presently afford them. Second, as low-income families move to higher economic status, they may also come to value preschool experiences for their children. The Head Start Program may accelerate the acceptance and value of these programs among low-income families.

2.4 Organization of the Industry

The services supplied by the day care industry are divided into two major components: the 85% which are informal and provided mostly free or inexpensively either in the child's own home or outside by relatives and the 15% that are provided in centers and family day care homes. Little is systematically known about the informal portion and relatively little is known about family day care homes.

With few exceptions, formal day care operations are small and local. Nearly all family day care homes and the majority of day care centers (60%) are small owner-operator type businesses, although some of these owners do not consider themselves "in business" in the traditional sense.

Centers

There are an estimated 17,500 centers in the United States with an average of 33 children each (Day Care Survey-1970). Centers range in size from seven to over 100 children, but the majority had full day enrollments between 13 and 44 children. Only a little over 400 day care centers in the United States are estimated to have more than 100 children enrolled (Day Care Survey-1970). Most centers serve 3 to 5 year old children.

Although only 40% of the total numbers of centers are non-proprietary, about half of the children attend such centers. Non-proprietary centers are sponsored by a variety of different community organizations. Non-profit centers sponsored by churches account for 18 of the 40%, making this the largest single form of sponsorship. The oldest day care programs are those operated by United Fund agencies. It is estimated that public school day care centers provide care for a little over 100,000 children, about 8% of the total (Day Care Survey-1970).

Proprietary day care centers are more apt to provide custodial care, while more of the comprehensive child development services are found in the non-profit centers.

The facilities for proprietary centers are usually owned by the proprietor. Non-proprietary centers usually rent facilities.

There have been some recent attempts to establish chain or franchise day care centers (Breathitt, 1969; Elliott, 1971, a, b, c, d). Some of these new programs are backed by established firms in other fields such as Gerber Products, General Electric, Performance Systems and the Singer Company. However, the total number of chains or franchise companies in the nation probably is less than 50 and some have not yet opened any centers. Less than 10 of these firms had more than 10 centers in operation in 1971. Only four firms had 20 or more centers underway. The largest number of centers franchised by a single firm are those co-owned by CenCor, Inc., which reports 65 centers (Les Petite Academies). At least three companies have discontinued child care services.

The individual centers of most of the chain or franchise operations are planned to accommodate 100-200 children. The largest centers projected are those of Educare, which would serve about 2,000 with over 230 children in each center (Educare, 1970).

A few centers have been sponsored by industries as a benefit for their employees. The most prevalent are those of hospitals. There are about 100 hospital operated or sponsored programs in the country (Child Care Services Provided by Hospitals, 1970). Other industry related programs are KLH, Ohio and Illinois Bell Telephone, Control Data Corporation, and Amalgamated Clothing Workers of America, union sponsored centers. Several of these centers now admit children of non-employees in order to reach capacity (Hawkins, et al, n.d.).

Except for the few centers which are parts of a community or school system or a commercial chain, individual day care centers are usually operated independently with few contacts with each other. In a few cities, owners have organized private child care associations. There may be some cooperative referrals with different centers, especially among the non-profit programs, but there is little direct communication. Some of the Community Coordination Child Care (4-C) efforts are attempting to organize joint purchasing, training, referral, and professional resource personnel, especially in the fields of health and education.

Even at the federal level, where there are numerous agencies and department involved in day care services, there is little communication or coordination. Despite interagency requirements, administration is fragmented and inconsistent. Centers at the local level, especially non-profit centers, with more than one source of funds, must prepare different applications and reports for each of the federal agencies involved (Final Report, III; Study of Child Care Objectives, 1972).

Family Day Care Homes

The average number of children cared for in each of the 450,000 family day care homes in the United States is less than two although they range from one to seven children (Day Care Survey-1970). Family day care homes are more apt to have children under two years old. Family day care takes place in the home of the caregiver. The caregivers have limited formal contact with each other, although some operators may be acquainted on an informal basis. A few organized systems of family day care exist in some of the larger cities, such as Houston and New York. The New York City program, which is the largest, involves nearly 1,000 teacher-mothers, with a maximum of six children each (Roupp, 1971).

Growth

The growth rate of day care services is difficult to estimate since data are not available on informal arrangements, the largest source of care or for family day care homes most of which are unlicensed. The number of day care slots available in day care centers and licensed homes was estimated as 475,000 in 1967; 640,000 in 1969; and 745,000 in 1970. (Day Care Facts, 1970; Day Care Survey-1970; Low and Spindler, 1968).

Reports of the length of time day care centers and family homes have been in operation also indicate recent rapid growth. Two-thirds of the centers and homes have been in operation less than three years. Most of the remaining third have been operating over five years (Day Care Survey-1970, p. 42).

Little is known about the life span of day care operations. The half-life of day care centers is reported to be three years in Chicago (McClellan, 1971). There is also some indication that some child care programs are discouraged or restrained from entering the market by licensing regulations and agencies (State and Local Licensing Requirements, 1971).

2.5 Regulation of the Industry

The 85% of the industry that is informal is not regulated by any formal mechanism. However, most parents exercise considerable quality control over the care arrangements they make for their children in the normal course of their relationships with the persons providing care.

The formal day care industry, centers and family day care homes, in addition to the parent quality checks, is regulated primarily by state and local licensing codes. All but two states, Idaho and Mississippi, have mandatory licensing of centers, but only 37 states require family day care homes to be licensed. About half of these states exclude the family day care home from licensing if the caregiver is a relative, and some exempt from licensing homes that serve only children from one family.

In addition to the state and local requirements, centers receiving any federal funds are supposed to meet Federal Interagency Day Care Requirements, which generally are more stringent than state laws and generally require: provision of a full range of services including social, educational, and health; parent participation; and opportunity for employment of poor people. These requirements are currently being revised.

The licensing authority in most states is the department of welfare. Centers are usually licensed by the state agency while family day care homes are approved by county departments. No two states, cities or counties, however, follow the same specific procedures or interpret regulations in the same way (State and Local Day Care Licensing Requirements, 1971). There is currently an effort underway, sponsored jointly by the Office of Economic Opportunity and the Office of Child Development, to develop a model state licensing code. Thirty-seven states are either revising or planning to revision their regulations.

At present, the licensing process is lengthy, involving approval by several different agencies at the local level. An estimated 90% of centers are licensed but only 2% of the family day care homes are. Even when homes and centers are licensed, they do not necessarily meet all the requirements.

In order to be licensed, applicants must successfully complete 15-20 major tasks. Each center and home must meet requirements established by the department of welfare, fire safety, zoning, health and building codes. The requirements of these latter codes are the most frequently cited sources of delay in the licensing process. Information from local officials and licensing agency records shows that average number of days that licensing is delayed in the process of meeting the requirements of each of these codes: fire inspection, 38 days; sanitation inspection, 23 days; health inspection, 35 days; zoning, 40 days; and general processing, technical reviews, caseworker reports, etc., 40 days (State and Local Day Care Licensing Requirements, 1971, p. 29).

Over half of the applicants who do not complete the licensing process give as their reasons the licensing requirements. Most are unable to meet the requirements for the physical structure and fire safety apparatus. Forty-two percent cite business reasons, primarily insufficient funds or the decision to obtain other employment. In the majority of states licenses for the operation of day care centers and homes are valid only one year; then the operator must essentially repeat the process.

2.6 Barriers to Entry into the Current Day Care Industry.

There are at least three major barriers to entry into the current day care industry. These apply mainly to center care.

Start up Costs

Available evidence indicates that establishment of day care centers requires significant start up costs when "new firms" enter the day care market place.

Construction costs range from $1,000 to $1,200 per child. Renovation costs may be less, about $500-$1,000 per child (see Final Report, IV, vol.1). However, there may be differences unrelated to basic start-up costs in the building of new facilities. These may include the quality of the completed structure, maintenance costs, ease in meeting licensing requirements, and usable space. In addition to facility costs, approximately $100 per child is needed for equipment.

Day care centers are not "quick profit" investments. Franchises sell for $20,000-$35,000. One franchise advertises the land acquisition, building and equipment of a school for 150 children, training of two master Montessori teachers, com-

munity education program, national public relations and advertising and consultation during the program's formative period for $35,000, plus an annual management fee of $7,500 or 5% or gross income, whichever is greater (L'Academie Montessori, Inc., 1970).

Another new proprietary company anticipates losses of $50,000-$90,000 during each of the first three years of operation of each center; after this period, 15% profit is expected (Mason, 1971). This estimate requires enrollment of 150 children at a charge of $1,650 per child per year for a full-day program to break even at $225,000. Fees for the children in these centers must be paid in advance or a 10% carrying charge is added.

A third private corporation which has purchased land for its first day care center states in its offering circular that "no assurance can be given that such centers, if and when they are built, can be operated on a profitable basis by the company" (Synergetic Systems, 1971, p. 8).

Licensing

Licensing requirements for formal care, (family or center care) are often difficult, time consuming and costly to meet. While such requirements screen out some truely unqualified providers, in their present form they may also prevent some qualified providers from entering the market.

Technical Knowledge and Know-how

Some organizations desiring to enter the day care field, especially those representing minority or disadvantaged populations, lack the experience and know-how necessary to raise the initial start up costs, meet licensing requirements and organize the initial programs.

Organizations have reported difficulty in recruiting center directors and managers (though not general staff).

2.7 Status of the Industry

The current day care industry in the United States is a vast private industry serving over 25.8 million children under 18 (5.8 million under six) and 11.8 million working mothers in 1969.

The largest portion of this care (85%) is privately provided by family members and relatives. Even within the 15% of the formal arrangements, 12% are provided by proprietary providers. Within the remaining 3% of the non-proprietary providers, the churches constitute the largest single source of sponsorship.

To replace the existing day care industry, even assuming that the relatively low costs that now prevail were to remain unchanged and that demand for care was limited to working mothers only, would require an initial capital investment of $19 billion, an annual payroll of $8.8 billion, and estimated annual costs of $14.5 billion. This would provide day care (not child development) services to the children of working mothers only. Other child development programs such as Head Start, which serve mainly non-working mothers, would add to these costs.

Estimated Replacement Costs of the Private Day Care Industry (for Children under 14 of Working Mothers Only)[6]

	Million
Capital Investment	
Facilities	
• private informal care (at $1000/child construction)	$16,500
• family day care (at $1000/child construction)	825
• center care (17,546 centers at $50,000)	877
	$18,192
Equipment	
• private informal care (at $40/child)	$ 660
• family day care (at $40/child)	33
• center care	44
	$ 837
Payroll	
• private informal care (at $350/month and 1/10 staff ratio)	$ 6,930
• family day care (at $350/month and 1/10 staff ratio)	347
• center care (at $350/month)	423
	$ 8,690
Estimated Total Annual Cost	$14,483

2.8 Summary

Of all the existing arrangements made by working mothers, the most widespread is care in their own homes (46%). Most of the children cared for in their own homes are looked after by relatives; children from families whose incomes are less than $3,000 per year are cared for by relatives to a substantially greater extent than are children in general. The formal child care industry (centers and family day care homes) serves about 1.3 million children, less than 15% of all children of working mothers; more than half of these formal arrangements are in family day care homes. More than half of the children of working mothers come from families whose annual incomes are less than $6,000; 80% come from families whose incomes are less than $10,000.

Half of the centers and most of the family day care homes are proprietary businesses. Proprietary centers tend to be smaller than non-proprietary centers, and tend to offer custodial care. Non-proprietary centers are more apt to offer child development services.

Most working mothers report being satisfied with their current child care arrangements. Most current arrangements are either free or very inexpensive (less than $2 a week) and are located less than a mile from the mothers' homes. Surveys indicate that, initially at least, the factors of cost and convenience to the family care the strongest influences on mothers' choices of arrangements; continued satisfaction, however, is more strongly influenced by their opinion of the quality of the caregiver. Expressed preferences for arrangements do not coincide with patterns of use: The majority of mothers seem to prefer in-home care, and make extensive use of such care; but the next largest expressed preference is for center care, which is the least-used arrangement. Current public attitudes imply a growing acceptance, perhaps even a preference, among parents for preschool child care as a necessity because of employment and as an aid to children's educations.

The annual expenditures for the care of children in the United States are estimated to be nearly $1.4 billion. Of this amount, it is estimated that $229 million comes from federal sources. Parents' fees are the primary source of the remainder; of those who do pay for care the average cost is around $500 per year. Some funds also come from state and local governments and some from contributions. Most federal funds are probably used for non-proprietary center and family care.

The costs of care vary with the services offered. The estimated annual cost of care in a center providing basic care and supervision is $400 per child, approximately $700 per year per child for centers offering some educational activities, and $1,300 per year for centers providing child development services. Two major cost areas are personnel and the initial financing of facilities.

Quality of care is currently controlled through licensing. The system, however, is relatively ineffective; the requirements are not uniform throughout the nation and most children are cared for in programs not covered by license requirements.

3.0 POLICY ISSUE: SHOULD THE FEDERAL GOVERNMENT PROVIDE MORE DAY CARE SERVICES?

The analysis presented in this section concludes that there is no doubt that the increased availability of day care services will be of real value to some families and that some of the federal objectives stated could be served by an increased federal role in day care. Thus we recommend that an increased federal role be actively and carefully considered on the basis of its merits and associated costs by federal policy makers. Since objectives considered are multiple, and in some cases contradictory (for example, lowering or reducing welfare-related costs conflicts in part with objectives associated with increased service), and since costs-allocation decisions are policy questions outside the scope of our analysis, our recommendations on the policy question: "Should the federal government provide more day care services?" are neutral. Rather, we have attempted to organize results and findings relevant to the costs and benefits of various federal actions in relation to various federal objectives and leave policy decisions in the hands of the policy makers.

The federal objectives that we analyze in this chapter are described in some detail in chapter one. We have rephrased them slightly for the purposes of the discussion here; they are as follows:

1. Reducing the number of children now receiving inadequate day care services, such as children left to care for themselves.
2. Decreasing the cost of welfare (either the current AFDC program or the H.R.1 program) by helping mothers to work.
3. Increasing the net income of poor families by helping mothers to work.
4. Increasing the work fare concept (reduce "free loading"):
   - by decreasing the welfare rolls by helping mothers who can work their way off welfare to do so, and
   - by increasing the percentage of mothers on welfare who are also working and thus contributing toward their support.
5. Increasing opportunities for women outside the home.

(Objectives four and seven in the discussion presented in chapter one have not been included in this listing, as they are not pertinent to the policy question under analysis in this chapter. They relate, respectively, to child development and to delivery systems, which are discussed in chapters four and six of this Summary Report.)

The impact of increased federal day care support is considered for three major categories of families:

1. The welfare poor, (basically, current AFDC families -- female headed households);
2. The working poor, (families with incomes under $4,000 generally not eligible for AFDC but eligible under H.R.1);
3. The near poor, families with incomes between $4,000 and $8,000.[1]

Since the cost level of day care to be furnished is itself a policy question, we have analyzed the implications of various levels of cost. The day care services for each category of family are considered at cost levels of $400, $800, $1,200 and $2,000 per year for preschool children for both welfare poor and working poor families and $400, $800 and $1,200 for near-poor families. Care for school-age children is considered for both welfare-poor and working-poor families at $300 per year.[2] (See "Notes" for this chapter for a description of the type of services that would typically be purchased for each price level.)

The estimation of the potential impact of day care services in relation to federal objectives requires that certain conditions be assumed. The estimates presented here assume that: (1) a variety of day care settings are available; (2) the use of the services is voluntary; and (3) there is a reasonably good labor market (4% unemployment).[3] The estimates of the employment response were developed from several different approaches, including economic models (wage subsidy), employment behavior by characteristics of mothers and children, and survey results.[4]

3.1 Replacement of Existing "Inadequate Care" with "Adequate Care"

A major reason often offered for increased federal provision of day care services is that existing day care arrangements used by working parents are inadequate. What effect would the increased provision of day care services have on moving children from "inadequate care" to "adequate" or "better than adequate care"?

Obviously, the key to this estimate is the definition of inadequate, adequate, or better than adequate care. There are no agreed upon definitions of these terms. Some definitions of inadequate care that have been offered arbitrarily exclude many day care arrangements that may be of excellent quality. The following subsection presents some examples.

Possible Definitions of Adequate Care

1. All care not in licensed facilities is inadequate.

This definition automatically defines as inadequate the 70% of day care arrangements that do not have to be licensed, including over half of all day care arrangements where a relative cares for the child (usually the the child's father in the child's own home). Many such day care arrangements may not only be adequate but some may even be more than adequate.

2. All day care not in comprehensive day care centers is inadequate.

This definition defines as inadequate not only all care in the child's own home but also all care in family day care homes or in the home of a relative. Many children receive "comprehensive services" through their own families and hence do not need such services in a day care setting.

The first definition is often used to measure the need for day care services. For example, one proposed day care bill states: ". . .there are fewer than 700,000 spaces in licensed day care centers to serve the over 5 million preschool children whose mothers work" ("Economic Opportunity Amendments of 1972," p. S1971). This implies that all of the five million preschool children need to be served in licensed day care centers if they are to receive adequate care. There are no sources of data

to determine exactly where the five million preschool children of working mothers are cared for, but an analysis of the care arrangements of approximately 1.6 million preschool children of working mothers with family incomes under $8,000 per year indicates the inappropriateness of measuring the "need" for day care by the difference between the number of children of working mothers and the number of licensed day care slots.

Table 6 shows the distribution of arrangements for the 1.6 million preschool children by the type of care and by whether the types of care are licensed -- that is, subject to license requirements. The large majority of children, more than 70%, are cared for in situations not subject to license requirements.

More than 915,000 arrangements, or 44% of the care, was in the child's own home. The largest single group of caretakers in the home were fathers, who provided care in 377,000, or 19% of the cases. Hence, almost one out of every five children cared for in an "unlicensed" facility was cared for by his father in his own home. Another 15% of the children are cared for outside the home by a relative, also an "unlicensed" caregiver in an "unlicensed" facility.

Only about 30% of the arrangements (603,000) are subject to licensing. Further, the largest group of care outside the home is in family day care homes, which in some states and under some conditions are not subject to licensing. (The rule is usually that homes caring for less than three children are not required to have a license. Since the average enrollment per family home was 1.6 children and about half the homes cared for only one child, it is reasonable that many of these homes are not licensed because there is no requirement for licensure.)

In view of the situation described above, unless one is willing to require fathers (and other relatives) to be licensed to care for their own children or unless one is willing to require that all children be cared for outside their own home in centers or licensed family homes, it is unlikely that even half of the children of working mothers will ever be cared for in licensed facilities. This is especially true since care by fathers and relatives in the home is assigned the highest level of satisfaction by mothers in preference surveys (Day Care Survey-1970).

Thus, the difference between the number of children of working mothers and the number of licensed day care slots is an unrealistic measure of either the lack of adequate care or the need for more licensed day care slots.

What can be used as measures of the effect of increased day care services on the number of children receiving inadequate care? In view of the lack of accepted objective standards of adequate care there are two possible definitions of day care situations that might be reasonable to use as definitions of inadequate care. These are situations where (1) a child (especially preschool) is left to care for himself, and (2) situations where the mother states that she is "not very well satisfied" with the care arrangement.

Child Cares for Himself

It can, perhaps, be agreed that care by a child for himself, especially a preschool child, is inadequate. Of mothers using this type of care (for both preschool and school-age children) only 38% indicate that they are very well satisfied with it; 39% are pretty well satisfied; and 12% are "not very well satisfied" with it."

Table 6: Day Care Arrangements for Preschool Children of Working Mothers with Incomes Under $8,000*

Type of arrangements	Number of arrangements** (Thousands)	Percents¶	License status
Child in school	107§	5.0%	licensable
Mother care for child while working	92	5.0	not subject to licensing
Child cares for self	11	1.0	not subject to licensing
In-home care	915	44.0	not subject to licensing
by father	377	19	not subject to licensing
by sibling	85	4	not subject to licensing
by relative	302	14	not subject to licensing
by non-relative	150	7	not subject to licensing
Out-of-home care	920	45.0	
by relative	317	15	not subject to licensing
by non-relative	22	2	may be licensable
day care homes	366	18	may be licensable
day care centers	215	10	licensable
TOTAL	2045	100%	

* Derived from tables 4.27, 4.28, 4.29 Day Care Survey-1970

** Since mothers often make more than one arrangement, there are about two million arrangements for the 1.6 million preschool children.

§ Nursery school, etc.

¶ To nearest whole percent

For families with incomes less than $8,000 there are reported approximately 11,000 situations where preschool children are left to care for themselves and 249,000 situations where school-age children (six to 14 years) care for themselves. Most of these arrangements, about 65% (160,000) are short-term situations of less than two hours, almost all the remaining ones, 97,000, are for between two and five hours; 3,000, or about 1%, are for more than nine hours. Most of these arrangements are probably school-age children caring for themselves after school.

There is no information on why the mothers leave their children to care for themselves. However, on the basis of the characteristics of the hours of care and type of children involved, it might be concluded that if day care services were to reduce substantially the number of children left to care for themselves, such services would have to include: (1) short term care situations and (2) many after school care situations for children six or older. Thus, the creation of centers whose priority for care is assigned to full-day preschool children may not significantly help children now left to care for themselves. Also, approximately 50% of the mothers would prefer an after school supervised recreational program for their school age children.

Since 39% of the mothers indicate that they are "very well satisfied" with the arrangement of leaving children to care for themselves, it could not be expected that the provision of day care services would eliminate all cases where the child is left to care for himself. It could be expected that, if given the opportunity, mothers would, at the minimum, make new arrangements for the 31,000 situations where mothers are dissatisfied with the arrangement of leaving the children to care for themselves.

Care Not Satisfactory to Mothers

On the basis of the mothers' own evaluation, there are some 358,000 care situations with which the mother states she is "not very well satisfied." These are distributed as follows:

Type of Arrangement	Number of Unsatisfactory Situations*	
Mother watches child while she works	36,000	
Child cares for self	31,000	
In-home care	126,000	
by father		49,000
by sibling		35,000
by other relative		10,000
by non-relative		32,000
Out-of-home care	166,000	
by relative		76,000
by non-relative		7,000
day care home		74,000
day care center		9,000

*(Derived from table 4.37 Day Care Survey-1970)

These unsafisfactory arrangements are 9% of all day care arrangements and are distributed across all types of care arrangements.

Nothing is directly known about why the mothers are dissatisfied with the care arrangements -- although the same survey indicated that most mothers expected that day care should provide good care, good food, and a safe place to leave the child. It may be these aspects of the arrangement with which the mother is dissatisfied. This is supported by the fact that, while only 9% of the mothers were "not pretty well satisfied" with their day care arrangements, over 50% desired to change their current arrangements. This desire to change may thus be related to factors other than the characteristics of the care itself, and include such aspects as the convenience (time, location, hours, distance from home) or the cost of the care.

It might be concluded that if given the opportunity these mothers would seek to replace at least 358,000 arrangements that at least in their own evaluation were unsatisfactory. Also, after-school supervised recreational programs for school-age children would probably be heavily used if available, since 50% of the mothers prefer this arrangement.

3.2 School-Age Day Care for Poor Families

The provision of day care services for school-age children will increase the employment response of poor mothers, by less than 5%. Specific findings for the welfare poor and the working poor are as follows:

Welfare Poor

Families now receiving welfare (AFDC) tend to include children younger than six. "Because families with older children usually leave the program, the AFDC caseload is mainly one of young people (60% of the AFDC families have at least one child under the age of six)" (emphasis added; Services to AFDC Families, HEW, July 1971).

Mothers whose children are six years old or older already participate in the labor force to a considerable extent. For example, nearly 70% of female heads-of-households (with less than $3,500 income other than their own wage) and whose children are all older than six are already in the labor force (Final Report, II, V. 1, Ch. 5, tables 19 and 20).

Hence, AFDC mothers whose children are six and older who remain on AFDC may do so because they are unable to work (physically incapacitated, lack of skills, age) or cannot find work, and not because they lack child care services. (Statistics on AFDC mothers by status of the mothers with children six and older would be able to verify if this is so. However, AFDC survey data is not presently broken down by status of the mother with only children over six. With the available published statistics, it is impossible to tell how many AFDC mothers with children over six are already employed.)

The number of school-age children left to care for themselves (some 15% of all known child care arrangements for AFDC school-age children) is further evidence that the lack of child care services for school-age children does not prevent AFDC mothers from taking jobs (though it may present evidence of the lack of day care services for school-age children).

Working Poor

The same facts generally apply to working-poor mothers. More than 55% of all mothers in poor, two-parent families whose children are all six years old or older are already working.

Because the employment response to school-age day care services is expected to be low, the following estimates should be viewed not as precise numbers but as general indicators of the low magnitude of the possible response.

Employment Response to School-Age Day Care[5]
(Mothers Whose Children Are Older Than Six)

	Mothers working	Increase
Welfare poor	(unknown)	2.7%
Working poor	55%	5.0%

Based upon the above estimates, a mandatory work requirement for all AFDC mothers whose children are older than six may not produce much employment response. Recent changes in welfare programs in New York City and California should provide the first empirical information on the effect of this policy decision. Because of the low employment response to the provision of day care services for school-age children, such a program would have little or no effect in achieving the federal objectives of reducing welfare cost, increasing the "workfare" concept, or increasing the income of poor families.

3.3 Can Preschool Day Care Services Decrease the Short-Term Costs of Welfare?

The provision of federal financial support to all preschool children of low-income working mothers will not decrease the cost of welfare; the cost of the day care services will increase total welfare costs.

Welfare Poor

The provision of preschool day care services to the welfare poor (female-headed households) would decrease welfare payments by approximately $36 million, plus an additional $3 million in increased income taxes, thus resulting in a gross savings to the federal government of $39 million. (The cost for the program is based on benefit levels of $2,400 for a family of four plus work incentives of 30 plus one-third.)

The cost of the day care services is, however, greater than the savings brought about by the reduced welfare costs. Thus, in total, a day care program would increase rather than decrease the total cost of the welfare services. Table 7 shows the amounts for alternative costs of day care services.

Table 7: Welfare Costs for Welfare Poor

Day care cost per year	Total day care costs (millions)	Savings (welfare plus income tax) (millions)	Net loss (millions)
$ 400	$ 203	$39	$164
$ 800	$ 406	$39	$367
$1200	$ 610	$39	$571
$2000	$1016	$39	$977

The basic reason for the high costs of the day care program is that the day care costs of some 446,000 children of mothers who are already working must be paid for, as well as the cost of the day care for the 62,000 children of mothers who would enter the labor force as a result of the day care program. If the day care program could be limited to paying for the cost of the day care of only the 62,000 children of mothers newly entering the labor force (as a result of the program) the cost of this care, $25 million (at $400 per year), would be less than the estimated reduction of welfare costs, $39 million. Total savings in this case would be $14 million. If the program were further limited to the 4,000 mothers with only one child requiring care, the cost of the care, $1.2 million, would be less than the cost reduction of $11.5 million, a saving of $9.9 million.

Working Poor

The situation is similar for the working poor. Under an H.R.1 benefit-level plan, the cost of day care services is greater than the estimated reduction in welfare costs. For this group, the estimated welfare reductions are $30 million; they will also contribute an additional $10 million in income tax payments, so the total savings is estimated to be $40 million.

However, the cost of providing day care to the 310,000 children of already-working mothers in the group, plus the 91,000 children of newly working mothers, at $400 per year, is $160 million, greater than the reduced welfare costs. Table 8 shows the comparisons at different costs per year of day care.

Table 8: Welfare Costs for Working Poor

Cost per year of day care	Total day care cost (millions)	Savings (welfare plus income tax) (millions)	Net loss (millions)
$ 400	$160	$40	$120
$ 800	$321	$40	$281
$1200	$481	$40	$468
$2000	$802	$40	$762

As with the previous group, the cost of the day care is great because of the cost of care for the children of mothers who are already working.

3.4 Can Day Care Increase Net Incomes for Poor Families?

The provision of day care services is estimated to be effective when measured against the objective of increasing family income for poor families in which the mother is able to work.

Welfare Poor

For the welfare poor it is estimated that the provision of day care services will allow approximately 29,000 families with 50,000 children to leave poverty.[6] Six thousand of the families, with 11,000 children, will be in near poverty and 23,000 families, with 39,000 children, will be able to achieve a non-poverty status due to increased earnings. These families will have increased earnings of $128 million and increased family income of $90 million (see note 6 for the definition of poverty used in this analysis and for tables of increased earnings).

Working Poor

For the working poor, the earnings of the working mother will allow 20,000 families, with 37,000 children, to leave poverty. Seven thousand of the families, with 12,000 children, will be in near poverty; and 13,000 families, with 25,000 children, will be able to achieve non-poverty. These families will have increased earnings of $149 million and increased family income of $108 million.

Near Poor

For the near poor (families with incomes between $4,000 and $8,000), the earnings of the wife will increase the total family income by 25%. However, this percentage will increase with more mothers taking full-time work. For example, WIN graduates averaged $2.28 per hour and 38.7 hours per week (Social Security Amendments of 1971, Appendix B. Senate Hearings, July and August 1971, Table 14). This is $4,588 per year and thus may raise the income of these near-poor families by 50% to 100%. These families will have increased family earnings of $1,147 million.

3.5 Increased "Workfare" Concept

It is argued by some, particularly members of the middle class, that it is undesirable for society to use tax monies to offer welfare payments to individuals and families who have the potential to contribute something constructive to society but are not doing so. The feeling against giving something for nothing runs so strong in some citizens that it raises the policy question of the desirability of increasing the productive engagement of existing welfare recipients -- even if doing so will increase the net cost of current welfare expenditures. "Free loading" in this sense would be reduced to the extent that either the number of adults on welfare is reduced, or of the number on welfare, the percentage working or productively employed is increased.

Public employment programs have received increased attention in relation to this goal and represent a primary means to achieving this end. This section, however, is limited to an exploration of the potential role, potential impacts, and associated costs of day care and assumes no public employment program.

Analysis shows that the provision of preschool day care to poor persons (AFDC) and working-poor persons (not now eligible for welfare but eligible under H.R.1 as proposed) would have the following effects:

The number of families currently on welfare (AFDC) would be reduced by about 2.5%. The number of working poor families (eligible under H.R.1) would be reduced by approximately 8%.[7]

Day care would serve to increase the percentage of existing (AFDC) welfare mothers working. It is estimated that the number of mothers working full-time would increase from 39% to 46%. Part-time employment would decrease from 9% to 7%.

Day care would also serve to increase the percentage of working poor mothers under H.R.1. Full time employment would increase from 27% to 40%, and part-time employment would increase from 8% to 11%.

The total cost of such a program at $400 (child) per year would be $203 million for AFDC and $160 million additional for the children of working poor mothers.

The cost of the program would increase proportionately for higher day care cost levels.

3.6 Can Day Care Increase Equality of Opportunity for Women?

Day care services have been proposed as a means of freeing mothers for activities outside the home. The increased provision of preschool day care services is estimated to allow approximately 683,000 mothers to seek employment opportunities outside the home; of these, 183,000 will be from the welfare or working poor families. Due to the labor market, only about 50% of the women will actually become employed. The remaining mothers could participate in public service programs or volunteer activities.

Mothers Available for Outside Activities
Due to Preschool Day Care Services*

	Before	After
Welfare poor	264,000	329,000
Working poor	185,000	302,000
Near Poor	1,345,000	1,845,000

*The estimates for the welfare and working poor are from the full-employment model (Final Report, II, V. 1, Ch. 5, table 40).

3.7 Conclusions and Recommendations

We have analyzed five of the seven major potential objectives of increased federal support for day care that were discussed in the "Statement of the Problem" (chapter one). The objectives are multiple and in some cases contradictory (for example, lowering or reducing welfare costs conflicts in part with the objectives relative to increased day care service). The selection and weighing of objectives is a policy decision which necessarily places it outside the scope of this document. However, the following material is instructive in terms of the expected impacts of day care.

Reduced Welfare Cost

Increasing federal support of day care by providing day care to all working families is not expected to reduce welfare costs, even at low cost levels for day care ($400 per year per child). There are several reasons for this. Most important, a large number of employable welfare mothers are already working, especially those with school-age children to whom the mandatory work requirement applies. Day care support for working welfare mothers would thus require providing day care for children to mothers already working. This would result in increased expense at no savings. This expense would more than equal the savings in welfare payments that would result from welfare mothers being newly employed and leaving welfare.

If day care were offered only to welfare mothers who would become newly employed as a result of receiving the service and already-working welfare mothers were excluded, the provision of services would reduce welfare costs, but only if day care were provided at a cost of $600 or less per child per year. If services were further limited to such families with only one child, welfare costs would be reduced by the subsidy of day care at $1,000 per child or less. If day care were offered at $400 per child per year to these two groups, welfare savings at the proposed H.R.1 benefit levels are estimated at $14 million (multiple child) per year and $9.9 million (single child) per year respectively.

The provision of preschool day care services to all working welfare mothers (AFDC) with preschool children is estimated to have the following benefits:

- 32,000 additional welfare mothers would be employed;
- 62,000 additional children would receive day care services;
- total welfare families receiving day care would increase 6%;
- 12,000 families would leave welfare (under H.R.1);
- 23,000 of these families with 39,000 children would escape poverty;
- family earnings for this group would increase $128 million per year.

The increased federal cost of providing day care to working welfare mothers at the rate of $400 per child per year is estimated to cost $53 million more than current federal expenditures, $256 million more at $800 per child per year, $460 million more at $1,200 per child per year, and $866 million more at $2,000 per child per year (gross costs).

The provision of preschool day care services to all working poor mothers is estimated to have the following benefits:

- 58,000 additional working poor mothers would be employed;
- 91,000 additional children would receive day care services;

- the total of working poor families receiving day care would increase 11%;
- 40,000 families would be able to leave welfare (under H.R.1);
- 20,000 families (with 37,000 children) would escape poverty;
- family earnings for this group would increase $148 million per year.

The gross federal cost of providing day care to working poor mothers at the rate of $400 per child per year is estimated to be $160 million; $321 million at $800 per child per year; $481 million at $1,200 per child per year; and $802 million at $2,000 per child per year.

Increased Family Income

The provision of preschool day care to working mothers of all families with incomes of less than $8,000 per year (welfare poor, working poor, near poor) would significantly increase the income of families involved. The increase in income would be especially significant for near-poor and working-poor families, many of which are two-parent families in which day care would enable the mother to work. Annual increases in earnings are estimated as follows:

- increased earnings for welfare poor, $128 million per year;
- increased earnings for working poor, $149 million per year;
- increased earnings for near poor, $1,147 million per year.

Assuming a sliding fee schedule for the near poor, the increase in federal cost for such a program is estimated to be $413 million per year (at $400 per child per year for day care). The total day care costs (not reflecting savings in welfare costs and returns in income tax) is estimated to be $563 million per year. This would represent an increase in the overall group's income of $2.50 for each federal dollar spent. Most of this benefit would go to the near poor.

School-Age Day Care

Little relative benefit can be expected in relation to an increased employment response of welfare-poor and working-poor mothers with school-age children. This employment response is estimated to be 2.7% and 5% respectively. Most mothers either are already working or off welfare when their children are of school-age, or unable to work. This is the group to which the H.R.1 work requirement applies, whereas employment is voluntary with regard to mothers with preschool children.

Replacement of Inadequate Care

The argument that increased federal support to day care is necessary to replace widespread existing "inadequate" care is exaggerated by some (although significant to the individual children who do not receive adequate care). It is estimated that at present 11,000 preschool children of working mothers with incomes less than $8,000 a year are left alone while their mothers work. Most such children are left alone for two hours a day or less. An estimated 130,000 school-age children care for themselves during the hours of non-school time while their mother work. Surveys of poor-working mothers indicate that 9% are dissatsified with existing child care arrangements. The number of children receiving care in unlicensed facilities is judged

irrelevant in itself in relation to the adequacy of care since many adequate arrangements are not subject to license requirements including, for example, care in the child's home by its father.

The provision of after-school programs for school-aged children at $300 per child per year would serve one million children at a cost of $300 million. This care could reduce by about half the number of school-age children (130,000) presently left alone during the non-school hours. No reliable estimates are available on the effect of federal support of preschool day care or on the number of preschool children left alone. The number would be reduced but not eliminated.

Cost Considerations

There has been much discussion of the cost of adequate custodial day care. Current Office of Child Development (ODC) estimates are approximately $800 per child per year. Previously OCD had estimated $1,200 as required for adequate care. However, a national survey (Day Care Survey-1970) reports that the average cost of "adequate custodial care" in day care centers is $400. Custodial care offers food, shelter, and adult supervision but makes no attempt to provide education or other services, such as health care or family counseling (Day Care Survey-1970, p. 8). While this figure is low, it represents the most systematic and empirical estimate available.[2]

Based upon the data cited, federal policy makers seem bound to consider the rationale for furnishing day care at higher cost levels. At all costs the quality of care varies; thus higher cost care in itself offers no assurance that the quality of care would be higher. Further, as described in chapter two and chapter four, the basic services purchased with day care dollars above $400 are "child development" oriented. There is no conclusive evidence that such services in a day care setting have either a long-term positive effect on the child or enhance the employment response of mothers. Nor is there any reliable evidence that good quality day care provided at the $400 level is harmful to children. We do not intend these observations as a recommendation that the $400 day care level be adopted but rather to point out that there is a lack of conclusive evidence that higher cost care is necessary to purchase "adequate" custodial care in the free market.

There is no conclusive evidence that the development of children will be harmed by quality custodial day care as contrasted with their spending the same time at home. Neither is there conclusive evidence that the development of children will not be harmed by day care less intensive in its development components than Head Start. This question has simply not been researched but is clearly relevant to the policy issue at hand, and we strongly recommend its examination. (The Head Start frame of reference follows from comparison of Head Start children with control groups which showed that Head Start children fared no worse than children not receiving services.)

In sum, increased federal support of day care services to the H.R.1 welfare group and/or the near poor will increase welfare costs (unless limited to newly working mothers only and provided at a cost of less than $1,000 to one-child families and less than $600 to multiple-child families). Tangible but limited benefits will accrue since many mothers are already working, expecially mothers with school-age children. Benefits will include increased employment among famlies, movement for some families off welfare and of some families out of poverty. Many of the children of mothers (9% of total) who feel existing care is unsatisfactory could be expected to obtain care the mothers judge to be more satisfactory.

Inclusion of families with incomes of $8,000 or below in a federally supported day care program on a sliding fee schedule basis would substantially benefit the near-poor group with an estimated $1,147 million increase in earnings.

An omnibus package, providing day care vouchers to all families with incomes less than $8,000 at $400 per year per child with a sliding fee schedule for near-poor families and after-school care for school-aged children for one million children at $300 per year per child, would cost a net of $680 million (total cost $853 million).

If the cost of day care were offered at the level of $800 per year per child, the cost of this package would increase to a net of $1,343 million (total cost $1,526 million).[8]

4.0 POLICY ISSUE: SHOULD CHILD DEVELOPMENT SERVICES BE PROVIDED IN FEDERALLY SUPPORTED DAY CARE ARRANGEMENTS?

It is impossible to consider day care without also considering child development. Virtually all debate about day care has, implicitly or explicitly, considered the inclusion of child development services with day care. The debate usually centers on the services that should be included in day care and the cost levels that will buy "adequate care." The more expensive estimates of "adequate care" invariably include provisions of child development services. Some observers feel that some advocates of child development promote high estimates of day care costs to squeeze as much child development service as possible into federal day care programs. A detailed analysis of child development was beyond the scope of our study, but because the issue is so important as it relates to day care, salient policy issues are treated in this report.

It is useful to consider the following issues: Is there a need for some type of child development service? (We have found that there is.) Will purely custodial day care damage children by providing an environment devoid of the developmental nurturance that the child would have received in his own home? (We find no evidence.) Can effective child development services be provided in a day care setting and, will they measurably enhance a child's development? (No operational program has been proven effective; a very few experimental programs show short-term gains.) We consider these issues in this chapter, and on the basis of our analysis, we present our recommendation for federal action: further research, and demonstration and evaluation prior to federal support of a national child development program in conjunction with day care.

A definition of child development services is necessary to consider these issues carefully; we present this definition in chapter two. In this chapter, unless otherwise specified, the term "child development services" is intended to mean comprehensive services (medical, dental, nutritional, educational, and psychological services, and parent education). We particularly emphasize intellectual development.

4.1 Rationale for Federal Initiative in Child Development

There is a growing awareness of the importance of early childhood in mental, physical, and social development. There is also an increasing recognition that poverty, the forces that create it, and the opportunities for the development of poor children are mutually reinforcing.[1]

Numerous findings document the inferior opportunities for development afforded the poor child in society today, the human consequences of this lack, and the pressing need for alteration of these circumstances. It is our conviction that the nature, extent, and significance of this problem demands federal attention. The issue, in our opinion, is not whether such attention is necessary, but rather the most

effective form and focus of such attention. To illustrate the reality of the problem, we present a few additional reported findings below.

The child born into a poor family shows the effects of fewer child development services before birth and continually throughout his life. A close correlation has been established between prematurity and low socio-economic status and between low birth weight and high rates of infant mortality. Serious handicaps, such as brain damage, mental retardation, blindness, and other disabilities, occur more frequently among poor children than among children in the general population. Data show that a large proportion of poor mothers, particularly non-white mothers, receive no prenatal care and inadequate obstetrical care at delivery. According to one study: "of the estimated 3% of children who are mentally retarded, 75% show no obvious brain damage and have few physical handicaps. Typically, these seemingly non-organic cases come from census tracts where the median income is $3,000 a year or less" (Crisis in Child Mental Health, 1969).

Research findings suggest that poor children show the effects of the lack of child development opportunities by their relatively poor health status and mental performance throughout their entire life, as documented below.

Health

The National Nutrition Survey showed that 26% of the children from the lower-income families had unacceptable hemoglobin levels, compared with 13% at the highest-income levels. Similar findings were found with respect to vitamin deficiencies; three times as many poor children were found to have deficiencies of vitamins A and C as children in high-income families (Children in Profiles, 1970, Chart 113).

Fifteen per cent of the poor children studied showed growth retardation. Children between one and three years were considerably below the average height of United States children the same age (Mibauer and Leinward, 1971).

Many poor children receive no health services. "Most of the 600,000 children. . .in Head Start in 1964 had never seen a physician or dentist and had received no immunization. . . Seventy per cent of youth enrolled in the Job Corps Program had never seen a physician. In 1966, only 7.5% of children younger than 17 living in poor families visited a pediatrician. In families with incomes over $10,000, 33% visited a pediatrician (Lowe, 1971).

A higher incidence of dental problems among poor children has been reported: In families with incomes under $3,000 the average number of decayed teeth per child was 3.4; for families over $15,000 income it was 0.7 (Children in Profiles, 1970). For example:

> "One study found that 70 per cent of several thousand first graders in a typical Negro district in Chicago were mildly to severely maladapted to the psychological requirements of first grade. Compared to a well-adjusted white group, these youngsters ran a 9 to 1 risk of developing psychiatric symptoms by the end of the school year.

In the same district, some 10 per cent of the youngsters between 7 and 17 years of age came to the attention of authorities each year because of delinquent behavior" (Crisis in Child Mental Health, 1969, p. 25).

Research findings suggest that the poor child falls farther behind the norm as he grows older, while an advantaged child is often able to overcome initial handicaps through family support and other services. For example, in a study in a Maryland county it was found that among lower income black children, 15% were considered mentally retarded by 10 to 14 years of age; and by 20 years of age almost 19% were classified as mentally retarded. In contrast, among middle-class white children, the number identified as having an intellectual deficit was 4% at 5 to 9 years of age, but at 20 years of age the level had fallen to 2% (Lowe, 1970).

Research findings suggest that these mental and psychological handicaps of poor children are reflected in their school performance and intellectual levels:

"Disadvantaged children show high rates of cumulative educational retardation: e.g., it is estimated that 85% of the eighth grade students in Harlem are 'functional illiterates'" (Crisis in Child Mental Health, 1969, P. 25).

It can be argued that lack of educational performance leads to school dropouts:

"There is a consistent correlation between poverty and the number of school dropouts. Of the millions of youths who will drop out this year, about 65 per cent will come from families with incomes of less than $5,000 a year; about 85% will come from families with incomes of less than $7,500. Dropout rates for certain minority groups run as high as 60 to 70 per cent" (Crisis in Child Mental Health, 1969, p. 25).

It can be further reasoned that termination of education by dropping out of school tends to perpetuate poverty and inferior child development opportunities for children of school dropouts. One study on science achievement reported the following relationship between the performance of children and the educational level of their parents. Children of parents with less than an eighth grade education tested 7% to 12% below national averages; with at least one parent graduated from high school scores were 1% to 3% higher than the national average; and with at least one parent educated beyond high school, scores were from 5% to 9% higher than the national average (Report on Education Research, 1971, p. 5).

4.2 Custodial Care as a Surrogate for Parental Care

The care provided for children while their mothers work is a substitute for the care that otherwise would be provided by the children's mothers. Considering that the preschool children of full-time working mothers probably will spend an

average of ten hours a day in the day care setting, it is necessary to evaluate the extent to which custodial care is an adequate substitute for care by the mother. If custodial day care, as such, is found not to be an adequate substitute for parental care in relation to the development of the child, then child development services should be provided at least to the point where day care would be generally equivalent to the development opportunities that would otherwise be found in the home.

Very limited research results have been reported on this issue. These are summarized in this section. Generally they indicate that there is no conclusive evidence on this question. On the basis of the available research findings, we would predict that custodial care that provides nutritionally adequate meals, care and supervision comparable to a good home, and care-givers who have emotional warmth, are friendly and are somewhat child-oriented, would not be detrimental to the development of children. Further, for those children now responsible for themselves while their mothers work, especially those under twelve years old, the provisions of adequate supervision and meals may well be an improvement over their current status. Even the best custodial care, however, probably will not result in much improvement in children's development over what normally would have occurred.

Given the critical nature of this issue, in relation to the implications of a nationally supported day care program, we urge that aggressive efforts be made to further research the subject.

There is ample evidence that care provided in different day care homes and centers varies considerably (Day Care Survey - 1970; Milich, 1971; Prescott and Jones, 1967). As yet, however, there is little information regarding the impacts of these variations upon the children. Available evidence relates primarily to experimental center programs in which some children may have received additional or more intensive services but in which all children were probably provided more than basic care and supervision. The one study that documented differences in care and staff behavior in day care centers reported only ratings based largely on the extent to which children were attentive, emotionally centered, and spontaneously involved in ongoing activities (Prescott and Jones, 1967). No other assessments of impacts upon children were made. Based on their findings, the authors concluded that ". . .day care should function as a substitute for a good home and that programs which best assume this function will be characterized by a rich and varied environment in which teacher manner is sensitive and friendly and teacher behavior is high in encouragement and balanced in the use of guidance, neutral behavior, and restriction" (Prescott and Jones, 1967, p. 337).

Further evidence of the effects of care givers' or teachers' behavior suggests that some adult behaviors are consistently related to more positive outcomes for children. The general atmosphere or tone of interaction with the children, control techniques, and the quality of presentation of information are relevant. Adults who are warm, friendly, somewhat child-centered and who present clear and well-organized instructions are most frequently associated with better outcomes for children. When the adults were hostile, authoritarian, rigid and disorganized, children tended to perform less well in school, have lower self-concepts, and less mature social interactions (Kilmer, 1971).

Little information about the impacts of care given by persons other than the mother is available. The effects of day care on the expression and control of emotions, the development of nurturance, independence, individuality, and the freedom to pursue one's own activities are important facets that have not been researched. Prescott and Jones (1967, 1971) reported that day care centers, unlike the home setting, typically have neither opportunities for the expression of strong feelings nor activities that might evoke them. They also feel that group day care gives children less access to adult attention than might be available at home. Individuality, they feel, is limited; the children must learn to conform to group needs. In addition, the degree of freedom of children in group settings is limited: "In groups, children typically are not permitted out of an adult's view and, consequently, are also accessible to other children" (Prescott and Jones, 1971, p. 56).

These same authors also express concern about the types of activities provided for children in day care settings. In general, well-equipped day care centers probably offer a greater choice and variety of activities. However, the authors point out that some centers may overemphasize activities that demand only small-muscle skills at the expense of large spontaneous movement. In addition, children may not be given the opportunity to choose activities. Schedules in homes may be more flexible than those in day care centers, too; there may be a tendency to program activities so closely for children in group settings that the children have few opportunities for dealing with unexpected or unanticipated events. Children's areas of activity may also be restricted to one room, or at the most, two or three rooms; whereas at home they would most likely be able to go freely to any room in the house, or even to visit friends within the neighborhoods.

Research on the effects of day care on the social-emotional development of children is badly needed. The areas of freedom versus restriction, availability of role models, conformity to group demands, limitations of free time, and opportunity for expression of strong emotions in day care settings need to be investigated. In addition, the impacts from relationships between children and caretakers need to be examined more closely. Basic research is needed for the long-range impacts from child care, especially for children who spend several years in group settings.

4.3 Child Development as a Part of Day Care

Child development services -- nutritional, medical, dental, educational, and psychological services -- are needed by all children. Traditionally most of these services have been provided for children by their own families, either directly or as a result of the families' initiative. Some children, however, have not received the necessary child development services through their families. The government and other agencies have assisted families in providing such services through the provision of information, funds, and services. One of the ways child development services have been delivered directly to children is through their inclusion in day care programs. (Descriptions and cost estimates of various levels of child development services are presented in chapter two of this Summary Report.)

The existing federal program that is most nearly descriptive of comprehensive child development services in a day care setting is the Head Start program. Two pieces of proposed legislation, the Nelson-Mondale Comprehensive Child Care act and the Javits bill, basically propose to extend the coverage and to expand a system of day care based on the Head Start model for the delivery of comprehensive child development services. In the following sections we address the questions of the potential benefits from child development services in day care settings, the numbers of children who could be served, and alternative means for the delivery of such services.

Estimation of Program Benefits

Only limited empirical evidence of the impacts from child development services in day care on disadvantaged children is available at this time. There are no empirical data for school-age children in day care or for children cared for in family day care settings. However, some information is available on the impacts of child development services in a day care setting on preschool children. Two significant data sources are Head Start volunteers and data derived from university-based experimental programs.

Head Start is directed toward disadvantaged children three to five years old, but the programs are diverse. They vary in ages and types of children served, in specific program objectives, and in implementation strategies. It has been the federal intent that Head Start programs include all child development services; the actual kinds and levels of services provided for children in various settings are not well documented, but the information that exists shows that they vary considerably. The estimated cost per child per year is $1,200 (Child Care Data and Materials, 1971). Numerous small research projects with varying results have been reported (Datta, 1969; Grotberg, 1969). However, the national evaluation of Head Start found that children who had attended the program for nine months were only slightly better in measures of intellectual development in first grade than were age-mates who had not attended Head Start. Program evaluators referred to program gains as quite modest and "marginally effective." Only limited data is available on the retention of gains realized by children participating in the Head Start program; but two studies of this question have been conducted. The first compared second-grade children who participated in Head Start for a full nine-month preschool period with second-grade non-participants. No significant differences were found between these two groups. A second evaluation compared first-grade children who had participated in a similar preschool Head Start program with non-Head Start first-graders and identified modest but statistically significant differences. It is unknown whether these gains will be retained, due to lack of follow-up data. However, the lack of significant differences in the second-grade children (a different study) and evidence from other programs leaves as a critical question whether or not significant gains can be sustained over succeeding years (see Final Report, II, Vol. 1, ch. 3).

There were no statistically significant differences between the children who attended only summer programs and those who did not (Impact of Head Start, 1969). Whether these limited results are due to the conceptualization of Head Start or the implementation of the programs, which varied considerably and

received limited central control, is not known. Also, it is not known whether second and later years of the Head Start program will prove more effective due to start-up problems associated with the first year of the program.

There is evidence that some federal programs for children do not reach the intended recipients (Robin, n.d.; Title I of ESEA, 1969). The most promising results on the potential impact of child development services in a day care setting have been reported by experimental programs operating under the auspices of colleges and universities. Such programs definitely are not representative of those generally available to the public in existing Head Start programs or other operational programs (Bereiter, 1966; Bereiter and Englemann, 1966; Heber and Rynders, 1969; Karnes, 1968; Kittrell, 1968; Kugel and Parsons, 1967; Lindstrom and Tannebaum, 1970; and Peters et al., 1969). These university-related programs probably have the best chance of any existing programs to foster changes in children. They generally have a high adult-child ratio; a trained, highly motivated staff (although not necessarily all professional); in-service training and supervision; facilities, supplies, equipment; and greater availability of both material and informational resources. The content and activities in these experimental programs were directed primarily toward intellectual development; were based on a clearly articulated rationale and objectives; and were teacher-structured, carefully planned, and presented. Although cost information is not available, these programs are expensive, probably equivalent to the $2,300 level discussed in chapter two--although these programs do not necessarily include the full range of child development services.

In the university-based experimental programs, of all the child development services, education is the only component, with few exceptions, for which impacts upon the children have been assessed. Only the ennumeration of the services delivered is available for the other areas. Even when educational services have been evaluated, the impacts assessed have been rather narrowly defined and the available evidence deals primarily with cognitive development of children in infant and preschool programs. Almost no research is available about impacts of care on the social and emotional development of children, although, as discussed in section 4.2, there is the possibility of negative impacts from group care. The findings from this research in experimental programs are summarized below. They are discussed in detail in Child Care Programs: Estimation of Impacts and Evaluation of Alternative Strategies (Final Report, II, 3 volumes).

1. Programs for infants and toddlers generally have not significantly changed the children's scores on the Bayley Developmental scales -- although children in such programs usually score higher than non-participants and there is some evidence of accelerated growth curves and possible delayed or cumulative effects (Caldwell, et al., 1969; Fowler, et al. n.d.; Heber and Rynders, 1969).

2. Preschool children who have participated in intensive experimental programs for at least nine months to a year have showed gains on some measures of language and intellectual development (Day Care Days, 1970; Bereiter, 1968; Bereiter and Engelmann, 1966; Fuschillo, 1968; Gray and Klaus, 1965, 1970; Heber and Rynders, 1969; Karnes et al., 1968; Kugel and Parsons, 1967; Weikart, 1969, Weikart et al., 1970). Even with these gains, however, disadvantaged children generally score no higher than the average for all children their age.

3. Even when the differences between children in experimental programs and their age-mates are not statistically significant, the children attending the experimental programs usually score higher on most measures (Cawley et al., 1970; Keister, 1970; Meier et al., 1968; Peters et al., 1969; Spicher et al., 1966).

4. Children in programs with some structured content and learning situations score higher on measures of language, intelligence, and achievement than do children in the more traditional and less structured programs (Berger, 1969, Clasen et al., 1969; Dickie, 1968; Di Lorenzo, 1969; Erickson et al., 1969; Kaines et al., 1968; Miller and Dyer, 1970; Siefert, 1969; Weikart, 1969).

5. Differences are less evident between children who have attended experimental preschool programs and those who have not as the children progress through elementary school. Gains made in preschool drop off as sharply in the first two grades and most differences are no longer statistically significant by the end of the fourth grade (Gray and Klaus, 1970; Weikart, 1970).

6. There is some evidence that a combination of group programs for children plus parent-training programs may be most effective (Barbrack, 1970; Gray and Klaus, 1965, 1970;, Klaus and Gray, 1968; Miller, 1969; Neidermeyer, 1969; Radin, 1969).

Thus, it is our conclusion that, although the benefits have been modest, there have been some positive impacts from the inclusion of educational services in intensive experimental programs for preschool children. Although these benefits are no longer statistically significant by the end of the fourth grade, it is argued by some that gains of a four-year duration during elementary school may be of significant value. It should be noted that services in addition to educationally-related ones, especially nutritious meals, were included in these experimental programs and may be related to reported gains.

One of the differences between the results of Head Start and the experimental programs showing positive results is the magnitude and longer maintenance of intellectual gains. These differences may be the result of a more extensive, systematic educational component in the experimental programs.

Although there are little data describing the impacts of other child development services, such provisions, especially nutritious meals and health services may well have some positive impacts upon the recipients.

We recommend that federal resources be allocated for the assessment of impacts from nutritional, medical, dental, psychological, and social service components of the Head Start, Parent Child Centers, and other programs for children. Expected impacts must be defined and appropriate measures developed to determine specific impacts. Research is needed to specify what actually happens in programs, to identify the specific factors contributing to the impacts, the characteristics of children who benefit from such services, and the best ways of effectively maintaining benefits over a longer period of time. Although many feel such services are necessary to foster optimal development

of children, systematic research and development is needed before programs showing long-term gains are designed and proven, and effective means of delivering services on a mass scale is established. Then, in our opinion, the time will be ripe to consider major federal involvement in supporting operational programs.

Program Coverage

The nature, degree, and longevity of gains associated with the offering of child development services in a day care setting is one consideration relevant to the policy question of federal inclusion of such services in federally supported day care. Another consideration is the extent to which child development services offered in this mode would reach the total population of disadvantaged children. The objective of providing equal developmental opportunities for all children makes this question especially meaningful. Analysis is reported in this section on the total number of children who would be served under different federally supported day care probrams and how the percentage served relates to the total number in need.

Table 9 presents estimates of the percentage of disadvantaged preschool children who could be served under these proposed programs: H.R.1 as it passed the House (7.5%), the Nelson-Mondale bill as introduced (19%), and an example program described in this report (23%).

These percentages are relatively modest if the goal of a child development program is stated as reaching all disadvantaged preschool children. The modest nature of the percentages is partly related to the high cost of providing services in this manner; a subject which is treated in the following section. The estimates of the number of children served by each proposed program are based upon cost levels of service as stated by the proponents of each program. The issue of the impact or benefits received by participants is, of course, another question (see Note 1 in the "Notes" to this chapter for explanation of estimates).

Program Costs

The day care mode of providing child development services is an expensive one. The magnitude of this expense is illustrated by Table 10.

The table has been developed assuming that adequate custodial care can be purchased for $400 per child per year (see chapter two for a discussion of day care cost levels). The table also presents a $2,300 per child per year cost for a child development component. This estimate is high, relative to current Head Start program costs and the estimates of various professionals, but it is our best estimate of the cost of providing the only type of child development services which have been proven effective in the short run (gains that are retained for more than one grade level): programs modeled after the university-based experimental projects cited earlier. It might be useful for those who would wish such cost estimates lower to ask what evidence exists that programs costing less than $2,300 per child per year are as effective. We have found none, although we wish we had.[2] It should be noted that the experimental cost levels of $2,300 can be expected to decrease as programs move from experimentation to the operation stage.

Table 9: Estimated Numbers of Preschool Children Served Under Different Federal Day Care Programs

Program	Eligibility criteria	Number of Children under 6 years old served (thousands)	Percent of potential H.R. 1 working mothers served	Other children served (thousands)	Percent of total number of children eligible for H.R. 1 served
Example program described in this report	Children under 6 years.[7] Limited to children of mothers working or in work-related activities. Family income under $4,320 for a family of four.	909[1]	100%	None	23 %
H.R. 1 (as it passed the House)	Children under 6 years.[7] Family income under $4,320 for a family of four.	292[3]	32%	None	7.5%
Nelson-Mondale bill S3193, as introduced in the second session, 92nd Congress	Priorities: Family income below BLS lower living standard. Children under 6 years.[7] Children of working parents Children of single parents	830[4]	8%[5]	83[6]	19 %

Table 9

(1) See chapter 3: Estimated total number of preschool children of mothers who are likely to work.

(2) 3.9 million children under 6 eligible for H.R. 1. Estimated as 30% of 13 million children. Hearings H.R. 1. Material related to H.R. 1, page 33.

(3) Estimates a third of total of 875 day care slots under H.R. 1, (Report in Preschool Education, September 22, 1971).

(4) Estimate of the total number of preschool children served is based on a total allocation of $1.5 billion. $.5 biilion is restricted to Head Start programs; $1.0 billion is evenly divided between preschool and school-aged children. This provides a total of $1.0 billion for preschool children. Based on the cost of $1,200 per child for child development services, $1 billion will serve 830,000 preschool children.

Table 9

(5) Allocated at current percentage (19%) of full day, full year Head Start program or 158,000 slots. 50% of children with working mother. Current ratio is approximately 30%, (Child Care Data and Materials, 1971).

(6) Based on current Head Start ratio of 90% "disadvantaged" meaning H.R. 1 eligible and 10% above H.R. 1.

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(7) All bills cover children under 14 years old. These estimates are only for children under 6 years old.

Table 10: Estimated Annual Costs of Providing Child Development Services For Preschool Children Under Different Federal Child Care Programs

Program	Number of children to be served* (thousands)	Annual per-child cost of custodial care at $400	Annual incremental cost of child care at $800 (Head Start)	Annual incremental cost of child development component at $1900 per child (millions)	Total program cost: day care plus child development at $2300 per child (millions)
1. Service to ALL disadvantaged children (Under H.R. 1)	3900	1560	3120	7410	8970
2. Example program described in this report	909	363	727	1727	2090
3. H.R. 1 (as it passed the House)	292	117	234	555	672
4. Nelson-Mondale bill S3193, as introduced in the second session, 92nd Congress	830	332	664	1577	1909

*Estimates presented in Table 9

It may be argued by some that not only is $400 per child per year too low a cost to purchase on a large-scale but also that even where adequate custodial care can be purchased at this price, much of it may be available only in settings which are unsuitable for the university-project type of child development services. In all probability this is partly true, but if child care sites are selected on the basis of their appropriateness for intensive child development services, then the additional cost of site selection is appropriately attributed to the child development program component.

An incremental cost equivalent to the cost of Head Start style programs is shown on the table to indicate the cost of such a program component. At present, findings show such a program to be "marginally effective," but further research and development could lead to the development of more effective programs at this cost level.

4.4 Alternative Models for the Delivery of Child Development Services

The inclusion of child development services in a day care setting is only one possible approach for the provision of child development services to children. Alternative methods include: pre-parent and parent education to increase the effectiveness of parents in offering child development experiences; provision of services directly to children either in their own homes through media, tutors, or home visitors, or outside their homes through services available to all children (or at least all poor children); and programs involving active participation of parents with children either in or outside their homes. Some experimentation is currently underway for the provision of child development services, especially education and other activities related to school success. It may, perhaps, be beneficial to increase the amount of home training or to focus the home training on the parent, who can then give support over a longer period of time and at more times during the day. In several experimental efforts, parents have been trained in effective ways of interacting with their children. Some of these have been successful, especially those which were concrete and involved specific suggestions or instructions for activities and methods of presenting information to young children (Barbrack and Horton, 1970; Boger, 1969; and Levenstein, 1970). Since these programs are relatively recent, the durability of gains or measures of intelligence or achievement of children is not known.

Courses in child development, psychology, and experiences with young children are being tried in several junior high and high schools (Programs for Infants and Young Children, 1969).

Sesame Street focused on symbolic representation, cognitive processes and concepts, and environmental information. After one year, the results are that those children who watched the most gained the most on all tests (Ball and Bogatz, 1970). The tests used were devised by the experimenters. Media presentations for parents as well as children should be researched.

It may also be possible to include some services within a day care setting at a lower cost than the services now cost. Combinations of group and family day care arrangements may be less expensive and enable children to have some more planned educational and social experiences. Some success has been found with the inclusion of limited daily tutoring sessions either for children in custodial day care programs or in their own homes (Blank and Solomon, 1969, 1970).

While an in-depth analysis of these alternatives was beyond the scope of our analysis, these and other methods of delivering child development services should be evaluated. Their advantages, weaknesses and costs should be assessed and given full policy consideration prior to a major federal commitment to support child development services in day care.

In relation to modes of delivering child development services which are alternatives to inclusion with custodial day care, several points are worth noting.

First, the federal policy decision as to whether or not child development services should be offered to disadvantaged children is not the same decision as to whether such services should receive federal support as a part of day care; there are other means, and a decision not to include the services in day care settings does not preclude use of other means or even later inclusion in day care settings.

Second, there is evidence that other modes of delivery (without commenting on effectiveness) are significantly cheaper than day-care-based child development (educational component). For example, TV program costs are lower on a per child basis than day care, if given wide dissemination.

Some leading child development professionals are of the opinion that further research is necessary prior to selection of any mode of national implementation of child development services.[3]

4.5 A Recommended National Research Program on Child Development

Given available evidence, we feel it is too early for a federal policy decision to be made to support comprehensive child development services on a national scale in a day care setting. Further, it is our opinion that there is too little evidence to indicate that day care will necessarily provide the most efficient and effective mode of offering child development services. Consequently, we recommend that federal actions related to day care be taken in a manner allowing maximum flexibility for possible later inclusion of child development services, as yet of undefined form; that federal operational investments in offering comprehensive child development services on a national basis be held in abeyance pending further research and development; and that a formal, agressive national program of research, demonstration, and evaluation in child development services for the disadvantaged be created.

These recommendations are based upon our conclusion that there is a significant, unmet social need for enriched child development opportunities for the disadvantaged; that research, demonstration, and evaluation results are tantalizing in their suggestiveness of significant potential for effective, federally supported programs; that such programs have not yet even proven effective in a form practical for national implementation; and, finally, that disadvantaged children will not be well served by expenditures of funds for programs likely to be ineffective. Rather, disadvantaged children will be best served by a concentrated and aggressive effort to identify, prove, and ready for implementation effective programs which can be offered at a cost which will allow such services to reach as many children as possible: ideally, all in need.

In order to facilitate effective planning and delivery of child development services, we recommend that the research and development program include: systematic evaluations of the impacts and costs of day care and child development services; systematic investigation of alternative methods for providing day care and child development services to obtain the maximum benefits; the development of effective means of disseminating information abou day care and child development and related topics; and the development of an effective system for controlling services for children.

We strongly recommend that the responsibility for such research and development activities be assigned to an agency or agencies not directly responsible for providing services. We recommend the authority for planning and conducting such research activities be delegated to an officially created Office of Child Development, Department of Health, Education, and Welfare. (See Note 1 to chapter six in the "Notes" section of this Summary Report.) Such an office should be charged with reporting to Congress on all matters relevant to the creation of a federally supported national child development program. We recommend that Congress not enact such a program until adequate data demonstrate the value of such a program, and methods are developed and proven for delivering such services effectively and efficiently.

Further details of this recommended program are presented in chapter six. The recommended program would entail no additional cost to the federal government, since it would supplant the current Head Start program.

4.6 Conclusions

The following are the conclusions from our analysis of the policy question, "Should child development services be provided in federally supported day care arrangements?"

- In relation to the objective of an equal developmental opportunity for all children, beyond a doubt there exists an unmet need. There are 10.5 million poor children (age 0 - 18). About a third, or 3.5 million, are younger than six. Many of these children do not have full oportunities for development; this lack of opportunity degrades the quality of their lives and increases the burdens of society.

- Custodial care providing adequate safety, supervision, and meals by a competent care giver will probably not be detrimental to the development of children. Other than providing for children who are not now receiving care while their mothers work, little, if any, positive changes in the children's development will result from custodial care.

- The Head Start experience suggests that the program as delivered in the past, at best, has offered only limited short-term educational gains for participants.

- Results from other, more carefully controlled and more intensive experimental programs indicate some gains in educational level and/or intellectual development for preschool children. However, the benefits gained by children participating drop to zero by the end of the fourth grade.

- Impacts from other child development components (health, dental, nutritional, psychological, and parent education) that might be included in day care settings have not been assessed. Research is needed to identify and evaluate the impacts of these child development services provided in day care settings.

- Current proposals for implementing child development services as a part of day care on a large scale -- providing children the benefits suggested by experimental programs -- are expensive, limited to only a segment of the population, and highly likely to offer very limited or no measurable benefits because of the lack of adequate means to control quality. The incremental costs of child development services using increased cost estimates to match referenced experiemental programs ($2,300 total: $400 custodial and $1,900 developmental services) are $55 million for H.R.1 and $1,577 million for the Nelson/Mondale proposal. If child development services of this type were offered to all children of working-poor mothers, the estimated cost of child development services would be $1,727 million. These estimates are for preschool only (Table 10).

- Child development services offered through day care settings, as reflected in these proposals, would reach only a portion of disadvantaged preschool children (23% of those eligible if provided to children of all mothers working under H.R.1; 7.5% under H.R.1 as it passed the House; and 19% under the Nelson/Mondale bill). Other disadvantaged children in need would not receive child development services under these proposal programs (Table 9).

- The allocation of funds alone does not guarantee the delivery of child development not benefits to children. An effective system for controlling the quality of services provided for children is essential.

- There is a variety of potential modes of delivering child development services to disadvantaged children that may reach more children, may be more effective, and may be less expensive than the inclusion of child development services in a day care setting, but little is known about them. We recommend research into alternative modes for delivering child development services prior to the creation of any federally supported, national child development program.

- We recommend that a major federal program of research, demonstration, and evaluation in child development be formally created, given a generous budget,

and be required to report to Congress on all matters relevant to the creation of a federally supported national child development program. We recommend that Congress not enact such a program until adequate data demonstrates the value of such a program and methods are developed and proven for delivering such services effectively and efficiently. We further recommend that the funds currently allocated to Head Start be reallocated to finance the research, demonstration, and evaluation program.

In summary, it is our opinion that there is not yet sufficient knowledge or understanding of child development to implement or even design a national program offering child development services through a day care situation. Experimental programs that show significant benefits from child development programs are few and recent; the long-term value to children of the programs that have demonstrated measurable benefits is limited to benefits that last no longer than the fourth grade. Very little is known about alternative ways of providing child development services. The control of quality of services offered by existing programs appears crucial to the success reported for experimental programs, yet no effective means has yet been developed for controlling the quality of child development services on a large scale. Research suggests that many child development programs and techniques have significant potential, but there is no adequate knowledge or technology to implement large-scale programs or to offer any assurance that there are not more effective, more efficient, and less expensive means for offering services.

Current proposals for implementing national child development services as a part of day care -- apparently attempting to provide to children the benefits suggested by experimental programs -- are expensive and limited to only a segment of the population; further, for lack of adequate means of controlling quality, they are highly likely to offer limited benefits or no measurable benefits at all in relation to intellectual development.

If a child development program using day care as a setting were to be rapidly pushed to operational status, and assuming that an adequate method of quality control (which seems a critical factor in the success of experimental programs to date) had been developed and implemented, the costs of the program would have to be high to be effective (perhaps as high as $2,300 per child per year). Some argue that the estimates of the costs of the currently proposed programs have been reduced by public debate in response to political pressures to levels of cost that could not offer significant benefits in relation to the intellectual development of children. Finally, even if current proposals are not judged to be below the effective cost levels, the funding levels proposed would represent substantial expenditures with uncertain returns.

5.0 AN ANALYSIS OF ALTERNATIVE FEDERAL DELIVERY-SYSTEM STRATEGIES FOR FURTHER INVOLVEMENT IN THE DAY CARE INDUSTRY

If the federal government makes a policy decision to significantly increase its level of support of day care services, the immediate question is must answer is what will be the form of this involvement. The extent to which federal program objectives will be achieved will depend upon the effectiveness of the delivery system chosen to support day care services. This chapter analyzes alternative delivery systems and suggests component elements that a proposed delivery system should contain. The chapter also examines the potential effect of the delivery systems proposed by major pieces of day care legislation. The nature of the current industry provides a frame of reference for these analyses.

5.1 An Analysis of the Existing Industry: A Context for Decision-Making about Federal Involvement in Day Care

The federal government operates within the current industry in two distinct manners. Through AFDC and a variety of other federally supported programs, money flows into the open-market day care system in the same manner as consumer, out-of-pocket money. On the other hand, the federal government has developed a number of highly structured, community-agency planned and based comprehensive programs -- typified by Head Start, Model Cities day care centers, and other centrally planned community operated models.

In effect, two divisions within the day care industry have thus been created by the magnitude of the influence of federal money. Much can be learned from the experience of both of these approaches. This chapter examines the experience, tendencies, characteristics, and the theoretical advantages and disadvantages of both the market model and the centrally planned model as applied to the day care industry.

The Magnitude of the Existing Industry

Day Care is free of charge in about 72% of all cases; the remaining 28% of day care constitutes a $1.4 billion industry, including all public and consumer out-of-pocket money contributed to the industry. Thus, if all day care were to be paid for at the cost that 28% of the current services now bring, day care would become a $5 billion industry, an amount greater than the current AFDC payments program. The individual cost of existing paid day care is so low, mostly less than $10 per week, that it is difficult to imagine any direction for prices to go except up. Further, if federal day care involvement were extended to the point where the federal government assumed full responsibility for ownership and provision of day care to all currently working mothers, the costs would be staggering: an estimated $19 billion for capital costs and $14 billion for operating costs (see note 5 in "Notes: Chapter Two"). Clearly, the current industry is heavily subsidized by private and individual resources, and their continual use is the only means of keeping program costs

within the bounds of feasibility for a program of national scope.

The majority of the existing day care industry is composed of private providers, but the bulk of federal support is channeled to not-for-profit providers.

In addition, the growth of the industry has been rapid in recent years and available evidence indicates a likelihood of continued growth. Therefore, in any consideration of federal priorities, of which day care might well be one, the sheer bulk of the industry justifies extreme caution in any federal effort even approximating a takeover or nationalization of day care. Such an undertaking might be compared to the establishment, from next to nothing, of a program equivalent to the existing elementary education system.

Characteristics of the Existing Industry

One way to describe the existing day care industry is to note the characteristics of current parental choices and preferences as revealed in the actual options selected in the currently relatively uncontrolled market. Although only limited information is available on parents' preferences, we do know that the existing day care takes place in three alternative settings: the child's own home, someone else's home, or a day care center. Only 15% of all work-related day care takes place in a formal setting, and even the majority of that is provided in family day care homes or other non-center arrangements. The bulk of all day care, thus, takes place in extremely informal settings about which little is known.

Some evidence does exist describing parental choices and preferences about their day care arrangements. No one form of day care is preferred by even half of working mothers, but the form most preferred is in-home care (about 45% preferring this form of care). Not surprisingly, inexpensive, convenient day care is preferred. Interestingly, however, much center care is not appreciably more expensive than other paid arrangements.

Perhaps the most significant preference -- and possibly the most significant single feature of adequate day care -- is the warmth and concern of the caretaker. This fact seems to be strong evidence favoring the existing diversified and informal system, in light of the virtually total lack of evidence regarding the value of services, or the correct mix of inputs. This fact also serves as an endorsement of the advisability of maximum parental choice, as is discussed in this chapter.

Other factors favoring the existing industry include at least the following: First, since so little is known regarding the value and effect of various services provided in day care settings, standardization seems inappropriate, if that would ever be a desirable goal. Rather, diversity appears to have emerged naturally and serves to meet the varying needs and desires for day care arrangements. Second, most mothers indicate satisfaction with their present day care arrangements, with the proviso that if more options were available some shifts would take place, and with the proviso that the lack of purchasing power and information precludes certain options, particularly for low-income families.

Past Experience in Federally Supported Day Care

An interesting contrast develops as we compare the existing industry, with its apparent advantages of low cost, convenience, diversity, satisfaction to parents, and so on, with the typical experience in day care when the federal government has taken a substantial role at the level of controlling the operation and provision of the services themselves. The basic features of federally supported day care in the past may be summarized as follows:

- Almost all agencies choose to operate their own programs and to provide comprehensive center care; only in a relative few instances were contracts used or were family day care homes involved.
- The vast bulk of federal investment is in day care centers.
- Over 98% of the investment in centers is for non-proprietary day care.
- Programs are generally high cost and comprehensive in nature.
- Programs are usually selective; participating children receive substantial services and nonparticipating children receive none.
- Little evaluation or other study has been accomplished to determine the value of various services offered in the day care setting.
- Standards are set and adhered to that other components of the day care industry, lacking substantial federal support, cannot meet.
- The extent of services is generally above the average parental desires as reflected in their free choices in the remainder of the industry.
- Professionals and public or quasi-public agencies are usually characterized by the fear of liability and the desire for accountability, resulting in rigid and highly structured or formalized programs and procedures.

If the federal government chooses to further involve itself in the provision of day care in the manner it has in the past, when federal involvement has been substantial and formal at the operational level, every indicator suggests that the day care provided would substantially conform to the characteristics noted above. It can further be argued that in spite of any attempt to legislate or regulate structures in other forms, federal involvement at the local operational and control level will necessarily tend toward certain models, due to such virtually unchangeable characteristics as:

- the fear of liability demonstrated by many public agencies and the responses of those agencies to demands for high accountability;
- the rigidity or inflexibility of public programs following their initial establishment;
- the tendency among public and often professional agencies towards centralization, standardization, or lack of diversity.

5.2 Analysis of Essential Elements of a Federally Supported Day Care Delivery System

Maximum Parental Choice

This characteristic would ensure diversity, as apparently is desired, and as appears appropriate in an area where no ideal system is known. Indeed, the value of most components of day care remains substantially unknown. Presumably development and experimentation with new and existing ideas will likewise be encouraged. Parent choice can be maximized through the provision of purchasing power where needed. Parental satisfaction with services provided can likewise best be assured by allowing the greatest possible freedom of choice.

Perhaps more important, parental choice constitutes the best known means of quality control in day care. Again, a key fact is the absence of knowledge regarding any ideal day care programs or components. When such features as the warmth and caring of the provider are suspected to be the key elements of adequate day care, no better selection system appears than parental choice -- given the current state of knowledge. Furthermore, historically, licensing and the enforcement of standards have been virtually impossible in many day care settings. Professional standards have also tended to be unnecessarily high in contrast to the known needs of children and the wants and desires of parents.

Parental desire in contrast to preferences of professionals is also relevant to cost. When WIN (or AFDC) recipients arranged for their own day care, the care averaged $315 per child. When the Welfare department arranged care, cost averaged $1,140 per child (Child Care Data, 1971, p. 12).

Flexibility and Adaptability

Flexibility and adaptability are obviously required to ensure the diversity and response to parental choice discussed above. Flexibility and adaptability in the delivery system are also required to take into account future trends and future needs.

If any characteristic of the day care industry is obvious, it is that the whole industry is evolving. Among other trends that may affect the provision of services inthe future are such things as the increase in the number of women in the labor force, the emphasis on "workfare" and public-employement programs, and expanding knowledge in the area of useful child development services.

The flexibility must be sufficient to allow outmoded facilities and programs to either adapt or be phased out. Public-agency or bureaucratically operated programs are not noted for flexibility, particularly not to the extent of allowing institutions or programs to fail when outdated or no longer demanded. Unless the delivery system for day care has the element of substantial flexibility, this program may well follow the course of other programs that were established prior to the availability of sufficient knowledge and later proved themselves unresponsive to changes in knowledge and in the circumstances of society.

Ease of Transition

As is discussed above, the existing day care industry is massive. Unless the federal

policy is to supplement and build upon this existing industry, the cost of a large scale day care program, among other staggering implementation problems, will be virtually prohibitive. On the other side of the issue, the effective federal takeover or nationalization of day care services would eliminate this same massive industry currently functioning in and affecting the national economy. Since the bulk of the current industry is proprietary care, ease of transition as well as maximum use of resources would indicate that further federal involvement should accept proprietary providers.

The existence of the industry does not necessarily mean that it is adequate, where operating, nor that it is complete. Within the existing industry, substantial roles appear to exist for federal supplement of the equality of opportunity for day care services through the provision of purchasing power on an equitable basis and through the stimulation, development, and equalization of needed resources for the provision of adequate child care in all areas and under all conditions.

An Industry for the Poor

Most existing and proposed day care programs are primarily aimed at low-income population groups. Our conclusions and recommendations concern the provision of day care services to the poor. Federal involvement in day care can be designed to serve the poor in two regards:

1. the provision of day care services to poor people in need of services; and
2. the provision of services by poor people who can receive income through such employment.

This latter goal appears possible and should be emphasized in any federally supported day care program. The effect of emphasizing the use of poor people as providers of day care services would be to channel back to the poor community some or all of 60% to 80% of the money now being spent by day care programs for personnel. Also, additional amounts used for expenses for remodeling, equipment, and so on, could contribute to the betterment of residences of the poor providers. The only other option is to have these same funds diverted to business interests in the middle- and upper-class brackets.

The amounts of money thus returned to the community if the form of increase could run as much as $1.2 billion in the first year of operations under the budgets proposed in the comprehensive child care bills, and one half that amount under the H.R. 1 welfare package. These theoretical maximums may not be approached, but substantial sums might still be so diverted.

A key element in encouraging poor people to act as providers of day care is the structuring of a program so that employement opportunities will exist for this population group. In day care a great deal of this structuring already exists. The industry is very informal. Virtually no technical or other skills beyond those possessed by the average parent are required to enter the industry. Start-up costs for concerns such as family care homes are very small in most cases. No significant barriers appear that would hinder entry into this industry by economically disadvantaged persons.

It would seem a safe assumption that the majority of these informal providers are relatives, neighbors, and such who are likewise poor. If current patterns in

the informal day care industry continue, the program could not only make day care services more adequately and equitably available to the poor but could, as we have said, also channel the payments for day care services back into the poor community.

Another key to the realization of this goal is the placement of adequate purchasing power in the hands of the poor. Obviously, without the provision of adequate purchasing power, no increased program or industry will develop. If purchasing power is provided to parents, and they are allowed to continue with their current patterns of behavior, these events in all probability will occur. If, on the other hand, unreasonable constraints are placed on parental choice, or if the decision-making authority is taken away from individual parents, the poor could conceivably be excluded from participation as providers in the industry. This danger exists particularly if centralization, standardization, professionalization, and complex administration are encouraged.

At the policy level and at the administrative level, all reasonable efforts should be undertaken to encourage the involvement of the poor community in the provision of day care services. The channeling back to the poor community of the bulk of what will prove to be a $1 billion program will certainly provide some relief to the economically disadvantaged, as well as to the high cost of the existing welfare program.

5.3 An Analysis of Alternative Theoretical and Proposed Day Care Delivery-System Models

Most national child care proposals under consideration by the Congress include provisions for systems of delivering expanded services. The proposed delivery systems, of course, would be imposed upon the existing patterns of delivery child care. The proposed as well as the existing delivery systems represent combinations of elements of two possible basic models: a market model and a centrally planned model.

These models do not exist in pure form in practice, but represent "ideal" reference points for analysis. More specifically, our recommended delivery system, a modified market model, relies heavily upon consumer choice and product differentiation as a basis for competition -- and not on price alone, which is the basic variable in the theoretical market model.

Any system that provides goods and service must include a mechanism by which resources are allocated. Resource allocation, in turn, depends on what goods and services are produced, how they are produced, and to whom they are distributed. In other words, production, efficiency, and distribution issues are all involved in the resource allocation question. The market model and the centrally planned model can be viewed as extremes on a continuum that represents the degree of governmental intervention in the system. At one extreme, government intervention is entirely absent, and the market mechanism is free to determine the allocation, production, efficiency, and distribution outcomes. At the other extreme, government intervention is total; all decisions affecting allocation and soon, are made by fiat.

The models discussed in this section are less extreme versions of these two types. The market model allows for some regulation to facilitate the workings of the market

and to assure that all child care produced is of at least a certain minimum quality (for example, certain health and safety standards must be met). At the same time, the centrally planned model allows for a certain malleability in the fiat system by requiring the decision makers to be in some way representative of the population receiving services (elected consumer representatives on a local governing board is one example). We are using our models, therefore, to make the distinction between what Rudolf Klein has called the "market economy" model and the "political economy" model (Klein, 1971, p. 112).

The emphasis in this analysis will be upon our recommended choice of a primarily competitive market model. Additionally, however, the problems of such a system are discussed and the pros and cons of the central planning model are presented.

The Market Model

Characteristics and Advantages of the Market Model

The key feature of a market mechanism is that the price system is allowed to carry out the basic economic functions mentioned above. Consumers select from the goods and services available to them those that best meet their needs, given the constraint imposed by the amount of their incomes. As shortages or surpluses develop, prices adjust so that the market is cleared. At the same time, prices perform a more vital function: they serve as resource-allocation signals. Price combined with quantity purchases determines revenue; revenue minus cost yields profit. Consumers' choices and the response of prices thus determine the profitability of various activities. Provided that barriers to entry are few, resources tend to flow into high-profit activities and out of low-profit or low-producing activities. If costs accurately reflect the value of alternative uses to which resources can be put, then profitability is a good indicator of those economic activities that consumers most want performed, and the resulting flow of resources is desirable.

The market mechanism we outline here does generate consumer sovereignty: the demands of the consumers determine the allocation of resources. The market mechanism also allows for as much diversity as consumers desire -- provided that desire is translated into effective demand for goods that are profitable to produce. Also, as long as resources can flow freely into and out of various economic activities, and if producers strive to stay in business and to maximize profits, the competition generated between producers by the market mechanism will result in efficient production. The market model thus appears to deal admirably with the issues of production, distribution, efficiency, and allocation.

The diversity allowed by the market model could be described as a part of a larger attribute of flexibility, larger because flexibility in this model exists for longitudinal change as well as current diversity. At present, day care is an actively provided commodity in this country offered primarily through occasional or informal arrangements, and at a relatively low cost. The next major step in the evolution of the day care industry in this country could well involve its use to help stimulate increased employment among AFDC mothers. This type of service to be effective must emphasize the rapid development of capacity that meets the convenience of the AFDC mother at as low a cost as possible, consistent with adequate quality for the care of children. As the industry develops over the years, it is probable that it will serve more and more women of all economic strata who will enter the

labor force. For middle- and upper-income families, day care will be purchased and supplied in response to free market sources.

The other significant development that is now taking place is the advancing knowledge regarding child development services. As the services are proven feasible and valuable, new delivery systems within or beyond day care settings may prove necessary. The development and delivery of truly effective child development services on a national basis may not be many years off. The point, then, is that the flexibility of the market model is highly desirable for the evolving day care and child development industry. The flexibility must allow some providers to fail when no longer needed or in demand. The retention of providers, facilities, and such, when not in demand would inhibit progress and the evolution of the delivery system of new and better services.

Problems with the Market Model: The Role of Government

The market model rests on certain key assumptions, which may not hold in the day care area. Also, the model neglects at least one important issue of particular relevance to a program directed at the poor and near poor populations. The assumptions of concern are:

1. Consumers must have adequate information on which to base their decisions; but consumers, especially the poor, may be unable to discriminate between good and bad day care. Government intervention in this area could take the form of improved information and education on day care, as well as periodic surveys of the consumers of services from different providers to assess their level of satisfaction with each particular provider. Such surveys could help potential consumers in making their decisions; parents would thereby learn from the experiences of other parents.

2. Barriers to entry in the market model are few. Entering the day care industry is, as yet, a relatively easy process. However, for comprehensive service day care centers significant capital costs are involved. Government intervention can increase the difficulties of entering the industry by increasing the strictness of its regulations. If barriers to entry are to be kept low, then standards must be reasonable and directly related to quality. Certain standards, of course, are necessary to ensure the health and safety of the children.

3. Latent demand may be unrecognized and unmet. It is difficult for consumers to purchase goods that do not exist. A profitable opportunity may be present but overlooked because no potential provider recognizes it. For example, a day care center might be a profitable undertaking in a certain neighborhood, but this will never be known unless someone takes the risk of establishing a center there. Government action in this area might include providing incentives for risk-taking, or carrying out surveys intended to measure the latent demand for different types of day care in specific, apparently high-risk localities.

4. The important issue that the market model neglects is income distribution. The market model, if the above assumptions hold, will allocate resources efficiently given an adequate prevailing income distribution. Specifically, consumers will purchase the amount and type of day care that best meets their needs (i.e., which maximuzes their utility), given their income level. However, one of the fundamental tenets underlying proposed day care programs is that the amount of child care that persons with low incomes can purchase is sufficient. The policy

objective is to increase the amount of child care obtainable by the low-income population. This requires some form of government subsidation of day care expenditures for the poor.

The financial mechanisms by which the federal government would subsidize the purhcasing power of parents could include a variety of types; but under the market model they must ensure that the choice of service remains with the parent, even if the actual purchasing power or money does not. Available mechanisms that the federal government might use include tax deductions or tax credits, income disregard, vouchers, or direct vendor payments. These mechanisms alter the day care prices faced by the consumer in different ways and will thus lead to different resource-allocation outcomes. For this reason, the alternative mechanisms must be carefully compared. However, subsidation of day care must be made in a way that is consistent with consumer sovereignty, an essential element of the market model.

The Centrally Planned Model

Characteristics of the Centrally Planned Model

The essence of the centrally planned model is that all functions and resources are vested in one agency. This agency, thus, has the power to control, monitor, approve, create, or remove all day care services in the region. Each region (either a state or smaller region) would be governed by an agency. Most proponents of this type of day care industry envision each agency governed by at least some consumers or parents who are using the day care services provided.

Interested groups or organizations who wished to provide federally supported day care services in the given area would first have to apply for approval from the central planning agency. It is possible that the agency could act so as to set up competing providers in a given area and then let consumer response determine which providers will succeed and which will fail. In other words, a central agency model is not necessarily incompatible with a market model, in that it could allow that model to operate. However, as noted earlier in this presentation, we have deliberately developed two extreme and clearly distinct cases in order to best illustrate the issues involved.

There is not clear analogy that would represent what a fully operating central planning day care industry would look like. In general, it may be envisioned as a centrally planned system governed by either an elected or appointed board, or a combination. In an embryonic way, Head Start approximates this industry form.

Financing a centrally planned day care industry would consist of direct financing from the federal government to local or regional planning agencies. These agencies would, in turn, either directly operate programs or contract for the provision of services with qualified organizations.

Parents or individual consumers would not usually have direct purchasing power but, if eligible, would receive child care services if they chose to enroll their child in a program operated or contracted by the central planning agency.

Advantages of the Centrally Planned Model

A number of advantages are usually cited for the centrally planned form of delivery system. The most important are:

1. Such a system would allow the central agency to deal directly with perceived deficiencies in purchasing power and unmet demand. If the agency felt that a certain group of people in a certain area "deserves" more child care but was not receiving it, the agency could funnel resources into that area and make the chosen group eligible for the resulting services. Also, the agency could act to prevent unnecessary duplication of facilities and thereby, presumably, promote efficiency.

2. Centralized planning and control does not rely on consumers or parents to make choices they are unable or unprepared to make. Many professionals feel that the consumers who need good day care services the most are the least likely to choose them. No generalization can be made concerning the ability of low-income parents to serve, either directly or indirectly, their children's best interests; however, this population has generally less education and, perhaps, sophistication in the mechanics of obtaining services. Furthermore, all citizens in almost all situations can benefit from both collective and expert wisdom in making decisions.

3. Consumer "control" or representation in the agency would ensure that the kind of services consumers desire would be provided. It is argued that the kind of decisions made by a parent-controlled agency would reflect the collective desires and wisdom of the group.

Problems with the Centrally Planned Model

While the centrally planned model may have certain advantages over the market model, it also creates a number of problems. The basic difference between the two approaches is that the price mechanism is replaced by the political process as the allocator of resources in the centrally planned model. The central agency must know and apply the appropriate criteria for resource allocation. Somehow, "needs" must be determined; services to be provided must be precisely defined and directed to the areas of greatest need; the prices to be paid to providers must be determined, usually on the basis of negotiations that attempt to establish a "fair price"; and the eligible population for each type of service must be defined. When shortages or surpluses develop, there is no automatic means to adjust the system; political pressure would have to take its place. Because competition is eliminated, the pressure for efficiency is also seriously reduced.

The outcome of all these deficiencies can be a system that mis-allocates resources, uses them inefficiently, and distributes the resulting products in an arbitrary -- and therefore probably inequitable -- manner. Some of the major problems are:

1. The potential exists for the central planning agency to be dominated by consumers, professionals, governmental officials, or some coalition of these individuals who can force their preferences in day care services on all consumers in the area. Additionally, conflicts or stalemates within the agency could hinder decision-making and, thereby, the availability of quality day care services.

2. Based upon the decisions of one board, day care services will tend to be uniform; innovation, variations and diversity of services will be minimal. The uniformity of school programs run by over 5,000 independent school districts evidence this potential problem.

3. Centralized planning will require extensive administrative machinery and staff, which will raise costs. In addition, monopolistic power is likely to raise costs. (Theoretically, monopolies or central planning agencies can reduce costs through better planning and allocation of resources. In actual practice this rarely if ever happens; costs usually increase.)

4. The day care industry may be more subject to political influences, since most proposed central planning agencies have several politically appointed members.

5. Central planning agencies tend to operate all their own programs (like training) and thus tend to be inefficient, since other organizations may be better equipped to carry out such functions. Central planning agencies tend to have little faith in the capability of other agencies; they tend to believe "we can do it better ourselves," without realizing the complexities involved. Also, these agencies have little incentive to economize or to operate efficiently, since they are not rewarded for doing so.

6. Central planning models tend to become inflexible and rigid once established, since existing programs, facilities, and so on, tend to be retained; thus they consume resources that could be used to develop alternatives to meet changing demand. Failures and phase-outs will not be allowed to occur naturally.

5.4 An Analysis of Existing and Pending Federal Strategies and Actions

Certain major and even relatively minor policy decisions by the federal government with regard to its strategies and actions in day care can and will be a powerful influence in shaping the nature and type of day care industry that will develop. As important in determining the nature of the day care industry as the amount of money the federal government decides to invest or spend on day care will be the way in which the money will be spent.

The federal government has three basic decision areas with regard to federal involvement in day care:

1. purchasing power (operating costs),
2. key resources (facilities, training, and equipment), and,
3. performance (quality) control or regulation.

Within each of the first two areas the federal government must make two decisions:

1. how much money it will invest in each area; and
2. who will have control of the expenditures.

(In the case of regulation the decisions are, what will be regulated and who will have authority to enforce regulations.)

The essential fact influencing the following analysis is that policy decisions and actions that tend to place purchasing and decision-making power in the hands of individual consumers will shape the industry toward a market model. Policy

decisions and actions that place purchasing power and decision-making authority in a single agency will tend to shape the industry toward a centralized planned and controlled industry.

Actions and Strategies Favoring the Competitive Market Model

The following are examples of legislative actions or policy decisions that would significantly help shape the industry toward a market industry.

1. Actions to provide increased consumer demand through the provision of purchasing power:
   - income disregards for the cost of day care services (AFDC program, Opportunities for Families Program, H.R.1);
   - vendor payments for day care services (AFDC program);
   - vouchers for day care services (such as Food Stamps);
   - opportunity for Families Program and Family Assistance Plan (H.R.1), which provides money for day care for public assistance recipients and emphasizes parental choice; and
   - increased tax deductions for day care services (the Revenue Act of 1971 and prior legislation).
   - tax credits for day care services (similar to tax credits for tuition in non-public schools).

2. Actions to stimulate creation of new programs through the investment of public funds for start-up costs, such as construction, renovation, equipment, and technical assistance. Most of the major proposed day care legislation provides for key resource support. Obviously the creation of facilities and other key resources are of benefit under either delivery system model. Some examples of this kind of assistance include:
   - The Opportunities for Families Program and Family Assistance Plan (H.R.1), which provides specific money for construction, training, and leaves to the discretion of the Secretaries of HEW and Labor how to spend a large pool of funds, at least a portion of which could be spent for the creation of key resources;
   - The Child Care Corporation concept introduced by Senator Long (but not reintroduced into this session of Congress as of this date), which has as a primary intent the stimulation of key resources through grants, loans, mortgage assistance, and other financing devices;
   - These programs tend to be oriented towards a market model in the means they have of making funds available both for operations and for development. (H.R. 1 does contain provision for community action agencies to control the operation and delivery of services but does not stress this feature.)
   - The comprehensive child development approaches, such as the Nelson-Mondale approach (S.3193) and the Senator Javits approach (S.3228), which provide the substantial monies for key resource development in the forms of either direct development by community agencies or by grants, loans, contracts, and other appropriate financing mechanisms to day care providers and developers.

- These programs are geared entirely to the central planning model for the provision of services and the development of key resources, but are not imcompatible with a competitive market model in their basic provision of the support for key resource development.

3. Actions to stimulate competition by investing or permitting more than one type of sponsor or program. Some of the major porposed legislation have permitted support to a diversity of sponsors, including both public and private, profit and non-profit, day care and child development:
   - H.R.1 and the corporation idea permit such diversity, in that no centralized authority is required except at the federal level;
   - the comprehensive child development approaches are less likely to promote such diversity since all providers must operate at the sufferance of local central planning authorities with fixed, and presumably limited, goals and approaches (assuming the providers wish to be a part of the federally subsidized industry).

4. Actions to simplify regulations and permit a diversity of programs to operate:
   - the HEW national conference on standards to simplify in general and relax standards for facilities and personnel;
   - federal authority to override state laws inhibiting the day care industry;
   - technical assistance to states in the development of standards.

Actions and Strategies Hindering the Competitive Market Model

The following legislative actions and strategies will tend to severely hinder the development of a market-oriented system providing for diversity of services and parental choice:

1. Actions that would create central planning authorities and day care.
   - all of the Comprehensive Child Development bills, which require the use of the central planning authority and prime sponsorship approach;
   - the Head Start Program (Economic Opportunity Act of 1954, as amended, Section 222(a) (1), which operates only through a central planning agency, but not necessarily with substantial governmental control or sponsorship.

2. Actions that would limit federal financial support to only selected public and private non-profit agencies (mainly excluding the private-for-profit providers):
   - the comprehensive child development bills exclude from federal financial support private for-profit organizations, reducing the innovations and technology that may be brought into the industry and precluding firms from offering services that may not otherwise be provided.

3. Action that impose ideal or "optimum" standards or limit the types of care provided.
   - all of the pending legislative proposals either contain standards or direct that such standards be developed soon after enactment. No direction regarding

the severity or freedom of such standards are generally imposed. Care must be exercised to insure that standards will allow the operation of a variety of types of day care providers under any delivery system.

- the 1968 Interagency Day Care Standards are a good example of the failure of impractical guidelines to be enforced.

4. Actions that could impose restrictions on what day care services a parent can utilize with his purchasing power.

   - The Comprehensive Child Development spproach has the potential to restrict the types of day care services available. Obviously, the parent can only make use of the services that the central planning agency either operates or authorizes.
   - Vendor payments under Title IV-A of the Social Security Act have the potential to restrict parental choice in the event any conditions are imposed regarding authorized vendors.
   - Any licensing or standards that are so restrictive as to prohibit certain providers that parents otherwise might use, substitutes the standards of others for parental choice.

Actions and Strategies Favoring a Centralized Planning Industry Model

In contrast to legislative actions that would help promote a market oriented industry, numerous proposed legislative actions that significantly favor the development of a centrally planned industry. The following are examples:

1. Actions that would create central planning agencies with decision-making power:

   - All of the Comprehensive Child Development bills require the use of the central planning authority and prime-sponsorship approach.
   - The Head Start Program [Economic Opportunity Act of 1954, as amended, Section 222(a) (1)] operates only through a central planning agency.

2. Actions that provide purchasing power (operating money) and authority only to central planning agencies to operate or purchase day care (as approved to providing it to parents):

   - the Comprehensive Child Development approach,
   - the Head Start approach,
   - any community action or parent-controlled requirement.

3. Actions that would limit what services parents could purchase

   - The Comprehensive Child Development approach has the potential to restrict, the types of day care services provided. Obviously the parent can only make use of the services which the central planning agency either operates or authorizes.
   - Vendor payments under Title IV-A of the Social Security Act has the potential to restrict parental choice in the event standards are imposed regarding authorized vendors.

- Any licensing or standards which are so restrictive as to prohibit certain providers which parents otherwise might use, substitutes the standards of others for parental choice.

5.5 Conclusions and Recommendations for the Nature of Federal Involvement In the Delivery of Day Care Services

While we remain neutral on the policy decision of whether or not the federal government should increase its involvement in day care services, we definitely recommend that, if the decision is made to increase the level of involvement, that the increased involvement take place through the following programs:

1. a program of vouchers to place purchasing power for day care services under the control of and at the discretion of eligible parents;
2. a program of key-resource development, primarily operating through community development agencies.

The Use of a Voucher System for the Federal Support for the Payment of Day Care Services

The provision of purchasing power to the consumer may be accomplished through a variety of mechanisms -- vouchers, vendor payments, income disregard, tax credits, and tax deductions. Competing arguments suggest the advisability of each. The decision to recommend the use of vouchers is based on three conclusions:

1. Income disregards, tax credits, and tax deductions are regressive in nature and may be taken advantage of only by persons with sufficient income or tax liabilities to make use of these devices:
2. Vendor payments seem often to be associated with related standards or conditions imposed upon eligible vendors and, hence, tend to limit a free-choice system.
3. Of all the available payment mechanisms the voucher imposes the fewest constraints and affords the greatest choice and ease of purchase of services to the consumer.

The specific payment device, however, is not the primary point in this recommendation. The significant recommendation regarding a voucher system is that the market model, as discussed earlier, be followed in federal policy for the actual provision and operation of basic day care services. The evidence presented earlier in this report is relevant to this recommendation in at least the following ways:

1. Little is known regarding what services are needed or what services are best for children; no ideal prototype for day care exists.
2. Parent preferences are diverse and not well known.
3. The majority of welfare mothers now work and pay something for day care services but families would benefit from additional day care purchasing power.

With these considerations in mind, the recommendation to follow the market model for the provision of services appears justified upon the following grounds.

1. A market industry will allow for the maximum freedom of choice by parents in selecting and using day care services, and the maximum variety of types of day care services.

2. A market industry will have the flexibility to allow the day care to develop and will place few barriers in the path of emerging and evolving patterns of day care and child development, while a central planning model will tend to establish and preserve a system.

3. A market industry will tend to produce the required day care services at a lower cost, since each service must attract consumers to stay in business; hence efficiency in the provision of desired services would be rewarded.

4. A market industry will minimize federal involvement in and standardization of the direct operating details of day care services, but it will still allow the federal authority a policy and decision role.

Key Resource Development Primarily Through Community Development Agencies

Key resource development, in this context, means the provision of funds for planning, technical assistance, start-up costs, facilities, staff training, and so on. The recommended key resource development program is an important adjunct to the competitive market model. Many industries have received governmental subsidies and stimulation. The recommendation of this program merely takes into account the reality of the fact that pure market forces to not always operate freely to develop adequate supply to meet demand in an equitable manner. More specifically, supplying vouchers above -- and thus greatly stimulating demand -- will, in the short-run, make the current supply of day care insufficient. The prices charged for services will increase; centers will compete (for example, for directors) and thereby force salaries beyond normal limits. The result will be that the true value of the voucher (at any level) would be considerably reduced.

Hence, a program of key resources is necessary to help the market adjust to the new demand levels, without inflating prices unnecessarily. The logic of this recommendation especially prevails if the attempt is made to increase substantially the demand upon an industry, when past experience indicates that competitive industries have limited ability to respond rapidly to extreme change.

Another important reason for providing a key resource program is to help promote a diversity of services by those who would otherwise be unable to enter the industry. Limiting entry into the day care market to only those organizations or groups who have sufficient capital skill and experience will exclude many community groups or minority organizations from providing services, though parents may want just those types of services the community or minority groups might provide.

In the long-run, the recommendation for a key resource development program anticipates that in certain geographical areas, under certain economic conditions, in order to meet the needs of special population groups, and to otherwise ensure adequate provision of day care services, an additional development program is advisable.

A key resource program will facilitate the entry of new providers into the day care market and promote services that would not otherwise be possible and assure adequate day care in areas of special need. It must be noted, however, that key resource money is for initial entry only. After establishing the services, the provider must be able to attract consumers on the "open market" just as any other provider would.

It must be anticipated that some providers applying for and receiving key resources for initial start-up will eventually fail. Undoubtedly, some will misjudge the desirability of the service they intend to provide and will not be able to stay in business. Such providers must be allowed to go out of business -- just as will providers who have not received key resource support.

The development of key resources need not be lodged in community development agencies for any inherent reason. Obviously, a federal agency or a state agency could be given the responsibility for developing resources for an emerging day care industry. On balance, however, this recommendation takes into account a variety of considerations that tend to indicate the policy of establishing a preference for community development agencies, broadly representative of the community, to carry out the function of key resource development. The rationale behind this recommendation includes the following points:

1. Key resource development will take place only under the special circumstances noted above. Knowledge of particular local conditions giving rise to special need is most likely to be present in a group representative of the community involved. It can generally be assumed that the more centralized the authority becomes, the less attuned that authority is likely to be to special and unusual situations occurring at the local level.

2. Key resource development willtake place only when normal market operations have failed to provide an adequate supply of day care services. The logical assumption follows that something more than individual buying power is required. The decision to develop a particular type of resource or facility, in most instances, will affect more than a given individual. Collective wisdom and decision-making regarding such development seems appropriate, therefore, by the group representing the collective interests of the population to be served. On the other hand, our earlier comments regarding becoming too centralized and, thereby, making the collective decision unresponsive to local special needs also applies to this point and favors the local community model.

3. Placing key resource development in the hands of a person other than providers and operators of day care services provides an additional check against a provider-dominated industry, possible exploitation of the consumer by the industry, and the development of universally low-quality care in a particular area. This extra safeguard is particularly relevant in the areas of special need in which key resource development would be undertaken.

As noted earlier, the most important element of this recommendation is the establishment of a capacity for the development of key resources. The recommendation for preference to community development agencies in this function is based on a balance of the relevant factors involved, but it not thereby made a necessity of the program. In fact the program contemplates key resource development support through other meand, if community groups do no respond to the opportunity. Key resource development is an important adjunct to the market model to ensure against any inadequacies that might arise in that system.

5.6 The Impact of Pending Legislation upon the Delivery of Day Care Services

Any of the major legislation regarding day care and child development pending before Congress would significantly increase the demand for day care, the amount of day care offered, and the federal role in day care. Federal involvement at this level undoubtedly, will be the primary source shaping the future of the developing day care industry.

By applying the principles contained in this chapter to the approaches found in pending day care legislation, and by using some of the knowledge of past experience in day care contained in this report, tentative predictions or probabilities concerning the future of the day care industry can be ventured. For example, the various comprehensive child development proposals currently pending contain delivery systems that are virtually central planning model in themselves. The welfare reform measures contained in the Social Security Amendments of 1971 call less conclusively for the central planning model, although Administration sources have indicated that substantial use of a central planning model for the delivery of day care services is contemplated. The comprehensive child development approaches have the additional philosophy, if not adequate resources at the moment, for the immediate provision of comprehensive child development services primarily in day care settings with emphasis on the example of Head Start.

Presumably, the characteristics of a centrally palnned industry, as discussed earlier, can be expected to arise in the event of the passage of one of the comprehensive child development bills. However with the priorities for economically disadvantaged children and children of working parents, plus the emphasis in the Administration's welfare-reform package on children of working parents, the opportunities for selectivity and comprehensiveness may be reduced inpractice . Also, the central planning model under any proposal has the potential -- but in the past not the propensity -- to steer a course different from the provision of highly uniform, centrally located services.

In spite of the priorities contained in the various pending legislation, the central planning agency will be faced with allocation problems.

These possibilities or probabilities appear to apply equally in the event of the passage of the Administration's welfare-reform package, should the Administration decide to move to the heavy use of a central planning model for the provision of child care services. Under this legislation, however, the likelihood of a selective, highly developmental service system is virtually eliminated, in terms of both philosophy and limited resources. This legislative program has a greater potential for steering away from the central planning model. To the extent day care under the Social Security Amendments of 1971 manages to avoid central planning, a greater likelihood exists that some of the advantages of the market model, as well as the disadvantages, might be realized.

As indicated earlier, a key adjunct to the operation of the market model is a program for key resource development. This pending legislation may not adequately meet this need; the exact need for added key resources for the day care industry is difficult to predict. Certain funds for construction, research, and such, would be available under this proposed prograzm. However, latent demand may go unmet without sufficient funds or a sufficient system to uncover special needs of special areas

and populations. Similarly, the entry into the industry of certain kinds of providers may be effectively prevented unless the necessary start-up costs, loans, and other resource development mechanisms are adequately provided.

These considerations are but a few of the predictions that could be made. Nevertheless, they appear to constitute the major impacts that might occur in the event of the passage of some of the pending legislation. The general tendency towards the central planning model is clearly indicated. The principles enunciated earlier regarding the advantages and disadvantages of this model can be assumed to be likely results. Movement of any of these proposals toward the market model would garner at least some of the advantages of that system.

6.0 IMPLEMENTATION

Our recommendations concerning federal expansion in the field of day care are neutral; and we favor, for the present, only research and development in the field of child development. In this report we suggest and discuss the advantages and disadvantages of the alternatives available to the federal government regarding further involvement in day care, but we do not attempt to answer the basic policy questions. Such decisions, whether or not to launch a new or expanded day care program and what the purposes and objectives of such a program might be, must be made by the federal government.

The recommendations for implementation that we make in this section will be applicable only when the basic policy questions have been decided. We present these recommendations for implementation to complete the potential usefulness of the report should the federal government proceed in the areas of day care and child development programs; our extended discussion is not an indication of a recommended policy decision regarding day care. Our recommendations concerning the implementation of a program of research and development in child development concern only that program; we make no recommendations regarding any other form of federal involvement in child development at this time.

In section 6.1 we present the guidelines for legislation which, if enacted, would bring into being a day care and child development program in a manner we would recommend should the federal government decide to expand its involvement in these areas. In section 6.2 we present alternative forms of implementation of the proposals through suggested amendments and modifications of the pending day care provisions in the proposed Social Security Act Amendments of 1971 and pending child development bills.

In the following presentations we are dealing with the essential elements of our proposed program and modification of other pending pieces of legislation. In doing so, we hope to increase the usefulness of the materials by presenting our implementation recommendations in substantial detail. This attempt, however, does not reach the proportions of technical legislative draftmanship. The reasons for many of the guidelines are self-evident. In instances where explanation is thought to be useful or necessary, statements of rationale are provided.

The Objectives of the Recommended Program

The recommendations of the Policy Studies Group have been set forth in substantial detail in the preceding portions of this report. For the purposes of summation and organization, a brief statement of the major proposals of the research is presented here.

The first major proposal is the establishment of a program for the provision of work-related basic child care primarily through the use of a federally administered voucher payment system. The program would be housed in an agency of the Department of Health, Education, and Welfare or the Department of Labor.[1] The program would be designed to serve the children of parents on welfare and the working poor and near poor who are participating in work-training or employment or related activities. A voucher system would be utilized to build a delivery system characterized by two

major features: a maximum of parental choice and the maximum development of a competitive industry that would involve both profit and not-for-profit providers.

The second basic proposal would establish a program for the development of key resources and technical assistance for day care providers. This program would also be housed in the Department of Labor or that of Health, Education, and Welfare[1] and would concern work-related day care. The program would develop such key resources as, for example, facilities and staff, when geographic, social, economic, or other conditions indicate a need for assistance in the development of an adequate system of day care services. In this development phase of the overall system, preference would be given to community groups seeking to provide assistance for the development of the day care industry in under-served areas and for under-served population groups. These community groups or councils could be composed of parents, interested citizens, government officials, and other appropriate parties. It would be mandatory that the group be composed of a majority of parents. The use of such resources, however, would still be up to the voluntary selection of parents through the expenditure of vouchers. In no event would these community groups be involved with the actual provision of day care services, only in the development of resources.

The day care thus provided would be designed to replace all work-related day care currently provided under, or to be provided through, the AFDC program, the WIN program, the recently enacted Talmadge Amendments to the Social Security Act, the pending Social Security Amendments of 1971, and the pending comprehensive child development bills. Our proposals, however, are not directed at the existing system for the provision of non-work-related day care. (For example, our suggestion that child care services under the AFDC program be repealed does not refer to special day care provided by welfare agencies that are unrelated to work training, employment, and related activities. For another example, under the Social Security Act Amendments of 1971, our recommended program would not change the day care provided through the "Family Assistance Plan" for welfare recipients who would not be required to register or accept training and employment; our proposals would affect only those individuals required by the "Opportunities for Families Program" to register and accept training and employment and those employed near-poor with incomes up to $8,000 per year.)

The third essential recommendation would establish a legislatively mandated Office of Child Development. This office would engage in a substantial program of research, development, and demonstration projects, as well as in experimental and evaluation programs, in a variety of areas of inquiry related to day care and child development. The broad purpose of this research would be to answer the multitude of important questions that must be answered prior to the development, enactment, and implementation of a nationwide comprehensive child development program. This office would appear, logically -- but not necessarily -- to be part (or under the jurisdiction") of the Department of Health, Education, and Welfare.[1]

The program would be substituted for the existing Head Start Program, but with important distinctions: The new program would consider a variety of delivery systems, variations in program content, alternative settings, and methods of child development. The program would attempt to build on the early efforts of Head Start and similar child development programs, but in no way would be obligated to accept the features of those programs.

Legislative Scenarios

Three basic legislative strategies can be considered for the eventual enactment and implementation of our Policies Study Group recommendations. The advisability of each of these strategies will have to be evaluated against the political and legislative environment of the given moment.

The first approach would be to seek the introduction and passage of a bill, as yet to be written, conforming to the legislative guides presented in the section 6.1. The enactment of such legislation could be sought either prior to the enactment of pending child care legislation or in addition to, or replacement of, any current or future laws.

The second strategy involves the pending Social Security Act Amendments of 1971 (H.R.1). The recommendations implicit in the legislative guidelines presented in 6.1 could, if technically completed, replace the current work-related child care provisions of H.R.1. We know that a total incorporation of our recommendations may not be feasible or desirable; we provide in section 6.2 recommended modifications and additions to H.R.1 that would include our proposals in that welfare-reform package. Of course, the option exists at any time after the passage of H.R.1 in its current form to enact legislation repealing the work-related child care provisions of that law and replacing them with provisions similar to our recommendations.

The third legislative strategy (also presented in 6.2) would be the possible modification of one or more of the comprehensive child development bills pending in Congress. This option presents less flexibility because the proposed comprehensive programs have less in common with our recommendations. Nevertheless, the proposed modifications and additions would improve the current comprehensive approaches and would adequately incorporate our principal recommendations for a child care and child development industry. In the instance of this strategy, it is more important that modifications be made prior to enactment of the pending legislation; a different course of action from the one proposed here would rapidly be pursued upon passage of one of the comprehensive child development bills.

6.1 Legislative Guidelines for a Recommended Federal Day Care and Child Development Program

Title I: A Program for the Provision of Work-Related Basic Child Care and the Use of a Voucher System

1. The Secretary of the Department of Labor[1] (hereinafter the Secretary) shall be authorized to provide basic day care to all children younger than 15 years of age in need of such care due to the participation of one or both of the parents of such children in work training or employment if such family qualifies for income maintenance assistance under federal law or qualifies as "near poor," as defined herein.

2. For the purposes of this program, "near poor" shall mean all families with incomes of less than $8,000 per year.

   Rationale: This definition was selected as an estimate for the purposes of analysis of costs, fee schedules, and so on, and should not be considered a firm specification.

3. The Secretary shall determine within the Department of Labor the appropriate existing or new agency to administer the basic day care program established herein.

4. Adequate day care under this program must ensure the protection, safety and well-being of children.

   Rationale: The Policy Studies Group recommendations separate the function of the provision and development of basic day care services from the provision of more comprehensive child development, the latter to be provided through a substantial research and demonstration program. The two programs will not necessarily operate in isolation but the required responsibility in the basic voucher program extends only to adequate care.

5. The Secretary shall have the authority to issue and redeem vouchers for the payment of day care services, in conformance with the purposes and provisions of this legislation.

6. Vouchers for day care services in an amount up to $400 per child per year shall be made available to eligible parents; the Secretary may redeem these vouchers only for day care services provided for a fixed fee up to a maximum of $400 per child per year.

   Rationale: A policy decision regarding voucher amounts must be made among the alternatives analyzed in prior sections of this report. This amount is used here because it represents a minimum meaningful amount for day care services, but it should not be considered as a recommendation of the Policy Studies Group. Cost-plus charges are excluded because they tend to be inflationary and to inhibit a competitive market.

7. The Secretary is authorized, but not required, to develop a schedule of reasonable allowable fixed fee charges for day care based upon such considerations as average costs in geographic areas or economic areas, patterns of provision of day care, the relationship of the provider to the parent or child, and other determinants of the economic relationships among the parties; and to utilize such cost schedules in the determination of the amounts of vouchers for distribution and redemption.

   Rationale: Varying prices according to geographic regions, economic conditions, and so on will help to stimulate the industry and ensure the provision of adequate child care. The intent of this provision is to ensure equality in buying power.

8. The Secretary is authorized, but not required, to develop a sliding scale for the value of vouchers distributed dependent upon such considerations as the income of the family, the number of children in the family, and other considerations of equity between and among participants in this program.

   Rationale: A correctly designed sliding fee scale will minimize "notch effects" and other inequities in payment for day care services. The details of this schedule must take into account budget restrictions, economic conditions, and other variables that may change over a period of time and to which a fee schedule must adapt. The Policy Studies Group tentatively has suggested, as a point of reference, vouchers of $400 per preschool child for families with incomes up to $3,999 per year; $200 per preschool child for families with

incomes up to $5,999 per year; and $100 per preschool child for families with incomes up to $7,999 per year; lesser amounts would be allowed for school-age day care. Decisions regarding the amounts of voucher and sliding-scale payments or contributions must be made by policy makers and administrators, and our tentative suggestions are not intended as recommendations.

9. The Secretary shall have the authority, in specific cases where good cause has been shown for such variance in order to protect the well-being of the child or children involved, or to prevent fraud, to institute other forms of payment for day care as he may deem appropriate; these forms of payment should include, but are not limited to, vendor payments, third-party control of vouchers, and so on. Such alternative forms of payment shall not exceed amounts in excess of those authorized for voucher payments.

   Rationale: The intent of this provision is to provide authority to the Secretary, similar to that granted under the current welfare system, to make protective arrangements in cases of misuse or fraudulent use of vouchers. The authority to interfere with the voucher system for other reasons is not granted, nor is the Secretary granted the authority to use other systems in lieu of the voucher system except as would be stipulated by this provision or in connection with research and demonstration projects under Title III of this proposal.

10. The Secretary shall be authorized to make special monies available, through increased payment amounts, not to exceed a 25% increase in the maximum voucher amounts, when necessary to ensure the availability of day care that adequately meets the basic needs of children of racial and ethnic minorities, bilingual families, and children with physical, mental and emotional problems requiring special attention in the day care setting.

    Rationale: The principle of equity underlying this proposal requires similarity of treatment to children in like circumstances. That principle is not violated, and the needs of children are best served, by recognizing that some children will require extra help just to receive equal care. The authorization is not intended to allow entrance into the child development area but only to provide remedial assistance in the form of special transportation, special personnel, and so on, which will allow children with special needs to participate in the basic day care program.

11. Vouchers shall be issued to eligible parents to be used for the payment for day care services selected at the sole discretion of such parents; except that parents may not redeem vouchers for day care provided by themselves for their own children, nor for reciprocal day care provided to avoid this exception. This exception shall not apply to parents who are employees of day care centers in which the parent has no financial equity.

    Rationale: Parental choice is one goal of this program, but a child-allowance or increase in basic welfare grant levels through the use of vouchers is not intended. Thus, this provision is designed to preclude parents from claiming to operate as family care providers for their own children, redeeming their own vouchers, and effectively increasing their grant level without altering their work-related circumstances. If a policy of child allowances or increases in grant levels is to be accomplished, it should be done directly and equitably. The trading of child care responsibilities in order to cash vouchers should

likewise be avoided. The same considerations do not apply when the parent is a bona fide employee of a center in which the parent has no financial equity and which redeems that parent's voucher.

12. The Secretary shall not interfere with parental discretion except upon the receipt of substantial evidence that intervention is required to protect the physical, mental, or emotional well-being of the child or children involved, or to prevent fraud.

13. No parent shall be required to use current or future publicly owned or operated day care facilities or programs.

14. The Secretary of Health, Education, and Welfare shall make available to this program child care facilities and other child care assets which have been developed under his control and jurisdiction and are no longer required to meet HEW child care responsibilities.

    Rationale: As with all of these points parental choice is the primary principle insured. Existing HEW and other public facilities and programs should not be retained in violation of this principle but certainly should be used when meeting a demand.

15. Parents have the option to use vouchers for the payment of day care services in both licensed facilities and facilities for which no licensing controls are imposed, except that a specific provider or facility may be declared by the Secretary as ineligible for the redemption of vouchers under this program when such declaration is necessary to protect the physical, mental, or emotional well-being of a child or children.

    Rationale: Prior approval of all providers appears impractical at present. However, a regular system of quality assurance should be instituted. When inadequate providers emerge, mechanisms should exist to prevent their continued participation in the program.

16. All public and private, profit and non-profit individuals, agencies and organizations are eligible providers of day care services.

17. The Secretary must establish procedures in connection with work registration and the distribution of vouchers, and as he may otherwise determine, for the dissemination of complete information to parents regarding available alternative day care services in the community and the rights of the parents to the use of and choice among such services.

    Rationale: Free choice by parents requires information regarding alternative choices and rights surrounding the exercise of choice.

18. The Secretary shall make maximum use of state and local Department of Labor agencies currently in existence for the distribution and collection of vouchers and for the dissemination of information.

19. The Secretary shall provide for adequate procedures to ensure against the fraudulent redemption of vouchers through periodic and sample visits to day care facilities; he should place particular emphasis upon visits to unlicensed providers.

Title II: Key Resource Development and Technical Assistance for Day Care

1. The Secretary shall make special funds available through either or both grants and loans and, through such other means as the Secretary at his discretion may deem appropriate, to assist the development of key resources when special needs of various target populations, special geographic areas, or special economic and related considerations necessitate such assistance.

   Rationale: The effect of this program would be to establish a network of "Day Care Development Councils" throughout the nation to ensure the evolution of a child care industry that would adequately meet the needs of eligible children and the purposes of a developing program. The purpose of the key-resource development supplement to the market-industry model is to assist and assure adequate supply when special conditions prevent the usual rules of supply and demand from operating. The intent is not to build a universal system to supply providers with federal day care resources.

2. Assistance with key resources shall not be provided unless the Secretary determines that private or other public funds are not available to meet the need for the development of a day care industry in the location indicated.

3. "Key resources" under this section shall be deemed to include planning, technical assistance, staff training and development, facilities including construction and rental, equipment and materials, start-up costs, and related items.

   Rationale: When a market system does not respond to the demands and choices of individual demands, the Secretary will need assistance at the local level to determine and understand the special needs that must be met to assure the delivery of adequate day care in the area. Local groups under procedures and regulations as the Secretary shall provide, can best determine and meet the resource needs of the community.

4. The Secretary, subject to the next following provision, may accept applications and provide funding for key resources from any public or private not-for-profit agency or organization; but no such agency or organization receiving key-resource development shall be an operator or provider of day care services.

5. The Secretary shall give preference, both nationally and when competing applications for a particular location are present, to the community development group that the Secretary deems most likely to reflect the wants and needs for key resources in under-served areas and within under-served population groups.

6. The Secretary, by regulation, shall establish the requirements for qualified community development groups that shall include at least the following: representation of a population area of a minimum of 100,000; a majority, within the group, of parents using or likely to use the child care services provided under this program; a group that is widely representative of the racial, ethnic, economic, and social makeup of the geographic area requiring key resource development; some expertise within the group or available to the group to carry out the planning and other responsibilities which might be entrusted to it under this program.

7. The Secretary shall have the authority to reject all applications for key resource development in an area and to provide key resource development directly

when, according to criteria the Secretary shall establish, the best needs of the area would not be met by any existing applicant.

8. The Secretary shall not engage in the direct operation or provision of day care services, but the Secretary shall have authority to increase the value of vouchers, the availability of key resource fundings, and provide other incentives to encourage the development of day care in locations and situations encountering maldistribution of services.

9. In providing staff and staff training through key resource development the Secretary shall place particular emphasis upon the training and employment of the elderly, the younger population, the economically disadvantaged, and the parents of children participating in the day care program.

10. The Secretary shall proceed to recover return on loans of money, equipment, facilities, or other goods when such items have been exchanged on a loan basis; but the Secretary shall make no other provision for the partial or total matching of funds or other goods by any state or local governmental body or any public or private provider of day care.

11. The Secretary shall, through the key resource program, provide research and technical assistance to state and local regulatory agencies regarding the development and enforcement of day care and child development licensing and standards.

12. Notwithstanding any state law or regulation to the contrary, the Secretary shall have the authority to implement the purposes and provisions of this legislation. State law and regulation that does not interfere with the purposes and provisions of this legislation shall govern the operation and development of all day care and child development services.

    Rationale: State standards, regulations, licensing, and other controls, can provide valuable assistance to a federal program. Substantial barriers at the state level to the fulfillment of federal goals and purposes should yield to the higher federal authority present in this situation, according to the normal principles of federal-state relations. This issue and authority is complex in nature and, as a matter of policy and administration, must be meticulously specified and clarified in final legislative language.

Title III: Research, Development, Demonstration, and Evaluation in Child Development

1. There shall be established under the Secretary of Health, Education, and Welfare an office to be known as the Office of Child Development (hereinafter OCD)[1] for the purpose of carrying out research, development, demonstration and experimental projects, and evaluation in the areas of child care and child development.

    Rationale: This office shall carry out only research and demonstration; the purpose of the effort is to answer questions prior to a comprehensive child development program, not to institute such a program.

2. OCD through the provision of grants, loans, and other appropriate financing mechanisms, shall fund special projects designed to expand knowledge concerning the methods, administration, substance, and need for child development.

3. OCD shall not fund any project that does not contain a substantial element of research, or development, or demonstration, or experimentation, or evaluation.

4. Parent or community involvement in such projects is to be permitted and encouraged for the purposes of experimentation, research, and development but shall not be required.

5. Children in families who are not poor or near poor and children in families with non-working parents may be included by OCD for participation on a voluntary basis when necessary to effectuate the purposes of this program, provided that the parents of such children be required to pay all or a portion of the costs of services so received.

6. The participation of parents or children in any such project must be on a strictly voluntary basis without any interference with the parents' exercise of discretion in the selection of day care for their children or in their right to receive vouchers in preference to other payment mechanisms.

7. OCD shall have the authority to conduct research through the use of its own staff or by grant or contract with any governmental or non-governmental agency or organization.

8. OCD may receive, at the discretion of the Secretary of Labor, permission to increase or decrease voucher amounts or the amounts of other payment mechanisms, and to exempt certain providers from key resource development and other regulations for the purposes of carrying out OCD projects; but in no event shall such variance be sought under circumstances that may endanger the physical, mental, or emotional well-being of a child or children involved.

9. Appropriate areas of research and other authorized activities for the projects of OCD shall include, but shall not be limited to, at least the following:

   - alternative delivery systems for child development services that include, but are not limited to, the day care setting;
   - benefit/cost analysis of alternative day care and child development settings and arrangements;
   - substantive inquiries into the areas of social and cognitive effects upon children from various day care and child development programs;
   - the appropriateness of day care and other child development settings for the provision of health and nutritional services;
   - the accumulation and dissemination of existing knowledge regarding health, nutritional, educational, and other problems of children;
   - the development of methods for the enforcement of quality assurance in day care and child development services;
   - the effects of parental education on child development;
   - the alternative uses and values of parent participation in planning and operating day care and child development programs;
   - methods of training and developing staff for day care and child development programs;

- the ability and reliability of consumer versus professional choice in matters related to day care and child development;
- the development of descriptors or indicators of children's needs according to their family characteristics;
- methods of producing and disseminating information to parents regarding child care, child development, family planning, and related subjects.

10. On or before June 30, 1974, OCD shall submit to the Secretary of Health, Education, and Welfare; the Secretary of Labor; the President; and the Congress a report that shall describe the results and findings of its research, development, demonstration, experimental and evaluation efforts, and present recommendations regarding federal policy and programs in day care and child development specifically including findings and recommendations regarding:
    - the effectiveness of alternative delivery systems for day care and child development;
    - the feasibility and advisability of extending day care and child development vouchers to additional income groups and non-working parents;
    - the effectiveness of child development services provided in the day care settings.

Title IV: Miscellaneous Provisions

1. For the fiscal year ending June 30, 1973, the appropriation for Title I of this legislation shall be such amount as may be necessary.

2. The appropriation for the fiscal year ending June 30, 1973, for Title II of this legislation shall be $75 million, plus such amounts as may be necessary to guarantee mortgages and loans up to a value of $50 million.

3. The appropriation for the fiscal year ending June 30, 1973, for Title III of this legislation shall be $360 million.

4. For the fiscal year ending June 30, 1974, the appropriation for Title I of this legislation shall be such amounts as may be necessary.

5. No new funds shall be appropriated for the fiscal year ending June 30, 1974, for Title II of this legislation, but unused funds appropriated for this title in the previous fiscal year may be expended.

6. The appropriation for the fiscal year ending June 30, 1974, for Title III of this legislation shall be $360 million.

Rationale: To be consistent with a universal voucher system for the eligible population, the appropriations for Title I must be open-ended. In the analysis of the Day Care Policy Studies Group, an estimated $863 million per year would be necessary to provide vouchers to the currently eligible population (we must emphasize, however, that this estimate is based upon minimum voucher amounts that we suggest only as reference points). The appropriation for Title II is, in fact, a two-year appropriation designed to ensure a flexible key resource development program. For example, the first year should not be limited to planning if some construction might already be deemed advisable. The entire

two-year amount reflects an estimation of the cost of providing needed key resources to the entire population. The total amount is the sum of the following specific estimates:

-- planning and technical assistance, $25 million;
-- facilities, $75 million (plus funds to guarantee loans and mortgages up to $50 million);
-- training, $25 million;
-- equipment and start-up costs, $25 million.

The Title III appropriation approximates the current Head Start budget plus the current research funds available to the existing Office of Child Development; the two budgets have been combined only to give an estimate of the possible budget for the research and demonstration program presented in this propcsal.

7. The child care and child development provisions of Title IV-A and IV-C of the Social Security Act, as amended, are repealed to the extent they involve families involved in working-training, employment, and related activity programs.

8. The provisions of this legislation shall in no way interfere with current Title IV programs for day care and child development for families not required to register or participate in work-training or employment or other related activities.

9. The Head Start program, Economic Opportunities Act of 1954, as amended, Section 222(a)(1) is repealed.

6.2 Recommended Modifications and Additions to the Child Care Provisions of Major Pending Legislation

Social Security Amendments of 1971 (H.R.1)

As discussed earlier, there are a number of legislative options for the incorporation of proposals into the eventual H.R.1 program. A bill incorporating our recommendations could be amended, in total, into H.R.1 in place of the current work-related day care provisions contained therein. If the provisions of H.R.1 pass intact, the recommendations of this report could be enacted at a later date, to replace such provisions as enacted.

Again two important points need emphasis. First, the focus of our recommendations is upon work-related day care. Consequently, the recommendations deal with the day care provisions of the Opportunities for Families Program and treat the provision of the Family Assistance Plan only to the extent that they affect work-related programs. Second, our discussion attempts to treat only the essential or key features of our proposals in contrast to the H.R.1 legislation. Complete legislative proposals or amendments require additional drafting.

The comparison is presented in section-by-section analysis and comment. The significance of the recommended modifications will be apparent in relation to the more comprehensive guidelines already presented in this chapter.

Work-Related Day Care Components of H.R.1	Discussion of Modifications
1. Under H.R.1, the Secretary of Labor is charged with the responsibility of providing child care services for individuals required to register for work and training under the OFF program. The care contemplated is adequate protective and safe care, but not comprehensive developmental services.	This provision conforms to the Policy Studies Group (PSG) recommendation for the lodging of the work-related child care program in the Department of Labor. PSG recommends this procedure whether or not mandatory work requirements exist. Similarly, the level and content of the required care conforms to the PSG proposals. PSG would recommend that a specific agency within the Department of Labor be designated the responsibility for the provision of basic child care and other related matters which will be subsequently discussed.
2. The Secretary is authorized to arrange for and purchase day care from any source with a priority for the utilization of facilities developed by the Department of HEW. Where HEW facilities are not available, the Secretary may procure day care from any public or private source.	Regarding these provisions, PSG would make several recommended amendments. First, a voucher system should be established as the priority means for arranging and purchasing child care. The use of HEW facilities should not interfere with the free choice of parents nor the free operation of a developing competitive industry. In other words, federal facilities, like any other private or public facilities, if unwanted, should be phased out of operation. These facilities certainly should be made available to the Secretary for his use and for use by the research and development arm of the total child care program. All public and private agencies or other persons are appropriate providers of day care services under H.R.1 and PSG guidelines.
3. The Secretary of Labor is prohibited from using funds for the construction of facilities. $50 million is specifically authorized to the Secretary of HEW for the purpose of construction of facilities.	While construction is a prohibited activity for the Secretary of Labor, presumably the remaining functions of key resources development are available to HIM. PSG recommends that the construction authority and a more substantial bulk of funds for the entire key resource development program be lodged in the same office charged with the responsibility for the payment mechanisms for child care. The key resource program should explicitly be made a separate program with its functions explicitly listed in the legislation and with separate appropriations for its operation.

Work-Related Day Care Components of H.R.1	Discussion of Modifications
4. The Secretary has the authority to operate the child care program through community groups appointed by appropriate local officials. To the extent appropriate, the Secretary is to provide school-aged child care through local educational agencies.	PSG recommends that the function of these community groups be limited to the development of key resources. The attempt to develop a competitive child care industry through the primary vehicle of a voucher system is incompatible with a council-type, local authoritarian control over the actual delivery of child care services. PSG recommendations also suggest that these provisions should be modified to eliminate the preferences for officially designated central groups and local education agencies. These groups should be allowed to apply competitively for designation as local, key-resource-development community agencies.
5. The Secretary is authorized to devise and implement a sliding fee scale. The Secretary is further required to substitute an income-disregard procedure for reimbursement for child care services to the working welfare population.	The development of sliding fee scales conforms to PSG proposed program. The use of income-disregard as an alternative to direct voucher payments should be eliminated, except in regard to experimental programs. The income-disregard as a means of payment has maximum and minimum income limits; this makes it an inadequate provision for certain family groups. Similarly, the possibility of delays in the reimbursement of income-disregard can result in the unavailability or inadequacy of day care under certain circumstances.
6. At least 50% of the funds available to the Secretary are to be expended according to a formula based upon the number of mothers registered in various states.	PSG recommends that once a voucher system has been installed into this program, such things as formulas of this nature will not be required. A voucher system necessarily distributes funds among states or regions according to the number of parents in work and training. The number of persons registered for work does not conform to the number of persons in need of child care due to their involvement in work training employment, and related activities. Additionally, no limit is placed on the price that the Secretary should or could pay for child care services. The Secretary should be given authority to pay up to $400 per year per child for day care, except under unusual circumstances where additional payments are necessary to take into account the special needs of certain population groups, and for experimental purposes.

Work-Related Day Care Components of H.R.1	Discussion of Modifications
7. The Secretary is authorized to carry on a small program research and development.	PSG recommends that a small program for the Secretary of Labor be continued, but that the child care provisions of H.R.1 be amended in a manner including both the Opportunities for Families Program and the Family Assistance Plan to establish in HEW an Office of Child Development. This office will carry out a large-scale research, development, demonstration, experimentation, and evaluation program in the areas of child care and child development. This program would replace the existing Head Start program with a broader experimental approach to a wide variety of operational means and methods for providing child development on a national scale.
8. $700 million is appropriated for the provision of all day care services (under both the Opportunities for Families Program and the Family Assistance Plan) with an additional $50 million allocated specifically for construction.	PSG recommends that the legislation be amended to authorize specifically that three separate activities be funded in their first two years of operation. The amounts of such appropriations, the rationale by which they were estimated, and the specific estimated allocations can be found at the end of section 6.1.

Recommended Modifications and Additions to Pending Comprehensive Child Development Legislation

Legislation has recently been introduced in the Congress proposing national comprehenvise child development programs. Many of these proposed bills are similar to the comprehensive child development programs considered in the last session of Congress. One bill eventually passed Congress but was vetoed by the President. Title V of the Economic Opportunity Amendments of 1972 (S. 3193) recently introduced by Senators Nelson and Mondale contains a proposed comprehensive child development program. Senator Javits has introduced a separate comprehensive child development bill (S. 3228). All of these bills are very similar even to the extent of much identical language, as are a number of bills in the House of Representatives.

The "comprehensive child development" legislation is substantially different from our proposed approach to the operation of day care and child development programs. As demonstrated below, the contemplated activities in the areas of resource development and research and experimentation are more compatible. Because of the substantial differences of approach in some areas, the strategy of suggesting legislative modifications and amendments must be pursued prior to enactment, since following enactment a program substantially at variance with our recommendations would rapidly develop.

The description below sets forth key provisions generally contained in comprehensive child care bills and constrasts them to our guidelines, in the same manner as used in an analysis of H.R.1. The same caution would likewise apply: we are not attempting to present a technically complete legislative draft or analysis.

Components of Pending Comprehensive Child Development Legislation	Discussion of Modifications
1. The comprehensive bills generally place responsibility for all aspects of child care and child development in an Office of Child Development in HEW.	This office should have authority only for a substantial research and development program prior to the enactment of a massive child development program. PSG recommends that work-related day care be transferred to the responsibility of the Secretary of Labor where the work-registrants will be located, and that non-work-related day care not be part of any presently enacted program, but be left in the Department of HEW and currently existing programs such as Title IV-A.
2. The comprehensive approach stresses the need of all children for child care and development services with preliminary emphasis and priority given to certain racial and economic groups, the economically disadvantaged children of working parents, and preschool children.	In practice this approach may not differ substantially from the emphasis PSG recommends. However, these provisions should be amended to indicate that emphasis and priority shall be given to the children of working welfare parents and near-welfare parents, with special emphasis and funding available to special target group populations having unusual needs. Since PSG recommendations primarily relate to basic day care, with child development services to be developed through a research and experimentation program, no emphasis on preschool children should be included.
3. Under these proposals, both operational and resource development would be carried on by local child care council under the auspices of a governmental body, or combination of governmental bodies, as prime sponsors. These councils would represent population groups of 25,000 (Javits) or 50,000 (Nelson-Mondale). These councils, through planning, development, and operations, would control all aspects of federally supported day care and child development in a location. The areas of activities of these groups both in terms of content and function are extremely comprehensive.	The provisions relating to these councils should be amended to limit their function to the development of key resources for a day care industry in their location. These councils, broadly representative of the community, should be released from necessarily being under the sponsorship of a governmental agency and necessarily being comprised of a large number of public officials. The size of the representative population should be amended to 100,000. Any authority to directly provide day care child development services should be deleted. The authority to provide basic day care services should be granted directly to the Secretary of Labor, who will implement the services through a voucher mechanism.

Components of Pending Comprehensive Child Development Legislation	Discussion of Modifications
4. States are required to provide central planning and coordination services and permitted to act as prime sponsors in instances where smaller governmental units have not assumed that role.	Any mandatory or preferential role for states should be eliminated. States and other units of government could be key-resource developers in the event that, in competition with other applicants, designation of such governmental units or the councils that they support, is made by the Secretary.
5. The first year of operation of these programs would be limited to $100 million in planning and set-up costs. A research and demonstration component is built into these programs for subsequent years.	These functions should be divided among key-resources developers and an Office of Child Development in HEW. Planning and technical assistance would be carried out through the Department of Labor and key resource development councils. The research and demonstration component in OCD should be substantially increased to replace the current Head Start Program in operating a comprehensive program for the development of experimental programs designed to lead eventually to recommendations for a national comprehensive child development program. The operational aspects of a basic day care system should not be delayed during a one-year planning phase.
6. Funding priorities are established for certain minority groups and funding among states and prime sponsors would be based on percentages of such populations along with percentages of the economically deprived, the number of working mothers, and so on.	PSG agrees with the recommendations as to the need for or advisability of such funding priorities, at the discretion of the Secretary, in connection with the program and projects of the recommended OCD. In regard to the provision of basic day care services, the proposed voucher system, if incorporated into this legislation, would necessarily distribute the funding for work-related day care to the appropriate parents. The key resource development program contained in the recommendations, if implemented through this legislation, would take into account these same priorities
7. The comprehensive child development legislation provides that families receiving any amount of welfare subsidies shall have no charge for day care and child development services, while families exceeding the welfare breakoff point shall pay for	PSG recommendations place these decisions in the hands of the Secretary of Labor. PSG recommends that a sliding fee scale be established.

Components of Pending Comprehensive Child Development Legislation	Discussion of Modifications
services on a sliding fee scale up to a maximum income of $6,900.	
8. The various alternatives of this type of legislation provide $100 million for planning in the first fiscal year of operation, and $1.2 to $1.5 million for the provision of services in the second year of the operation of the program.	PSG recommends that the legislation be amended to authorize specifically that three separate activities be funded in their first two years of operation. The amounts, rationale, and specific estimates of such appropriations are presented at the end of section 6.1.

NOTES

Note: Chapter One

Note 1 - Day Care: Solution to the Welfare Problem?

Gilbert Steiner states in relation to one social force, the welfare problem, "...after a few years it will inevitably be discovered that work training and day care have had little effect on the number of welfare dependents and no depressing effect on public relief costs···the more realistic approach would be to ...reject continued fantasizing about day care and welfare as miracle cures." (Steiner, 1971).

Notes: Chapter 2

Note 1 - Status of the Day Care Industry

The primary sources of data for this chapter are two national surveys, Child Care Arrangements of Working Mothers in the United States (Low and Spindler, 1968) and Day Care Survey - 1970 (1971). The first reports a special census survey of working mothers undertaken early in 1965. Questions were asked nationwide in sample households in which the mother had worked at least 27 weeks during 1964 and who had at least one child under 14 years old living at home.

Day Care Survey - 1970 was the first national study of existing day care provisions. This survey provided extensive information about day care centers and the arrangements utilized by families with annual incomes under $8,000 and at least one child under 9.

Both of these studies also have limitations. The data presented in Child Care Arrangements of Working Mothers in the United States is now seven years old. The Day Care Survey - 1970 does not include data for family day care homes comparable to that for centers nor information about arrangements utilized by families with annual incomes above $8,000. Also, the sample size was small and inferences, especially for subgroups of the populations, must be made with caution.

Note 2 - Day Care Expenditures and Their Sources

To obtain a general picture of the amount of money spent annually for child care, estimates of the expenditures by working mothers were added to estimated federal expenditures. Estimates of the amount of money spent by mothers was determined by estimating expenditures of working mothers for care in 1965, $975,725,000 and inflating this by 20% to take account of the increased numbers of mothers working in 1970. The estimated 1970 total is $1,167,270,000.

Note 3 - Revenue from Day Care

Estimate based on .7% of $220 million, total annual revenues for proprietary centers and 34.5% of total revenues $320 million for nonprofit centers, these figures are $1,540,000 and $110,400,000 totaling $111,940,000 of the $229 million annual federal expenditure.

Note 4 - Estimated Annual Per Child Costs of Child Care Services (preschool and school age)

See Tables N4a and N4b on following pages.

Note 5 - Variations in Cost Estimates

Estimates of day care costs may reflect two biases. Some estimates may be weighted in favor of the inclusion of all child developmental services on theory that these are required for the adequate care of children, especially disadvantaged children.

Estimated Annual Per Child Costs of Child Care Services (Preschool)

Service Level	Family Day Care			Center		
	OCD Revised Minimum[2]	OCD Child Develop.[3]	OCD Comprehensive Child Develop.[4]	Survey Minimum[1]	OCD Revised Minimum[2]	OCD Child Develop.[3]	OCD Comprehensive Child Development[4]
Staff							
• Child-Care							
1:6 children	$615						
1:5 children		$880					
1:4 children			$1100				
1:15 children				Included			
1:10 children					$380		
3:20 children						$595	
4:15 children							$1045
• Secretary-Bookeeper	None						
1:100 children		80	80		38	40	
1:167 children							60
• Janitor	None						
1:100 children					38	40	
1:67 children							60
• Cooks & Aides	None						
1:50 children					76	114	
1:40 children							Unspecified
• Social Service	None			None			
1:150 children		44				65	
1:100 children			66				65
• Community, social service, health or parent aide	None						
2:100 children			44				45
• Special Resource Personnel (psychology, art, music, consultants, etc.)	None	20	264			20	120

Table N4a

• Supervision	None						
1:100 children		80			80		
2:100 children							160
3:100 children			240				
•Facilities & Utilities							
Rental					50	90	110
Reimbursement	25	30	30				
•Food, Meals, Snacks, Kitchen Supplies							
. 1 meal, 2 snacks	89	100		Included	100		
. 2 meals, 2 snacks			150			140	210
•Supplies & Materials	20	20	50		38	40	75
•Equipment (Annual Replacement Costs)		9	20		10	10	15
•Medical & Dental							
Exam & referral plus treatment when not available	None	20			None	20	60
Otherwise			60				
Insurance	4						
•Work with Parents	None			None			
Problems only		10				15	
Parent education, family type activities, counseling			70				70
•Transportation	None	None	None		None	50	60
•Clothing, emergency needs	None	20	20		None	20	20
•Personnel Training	None	110	178		53	75	145
TOTAL	$752	$1423	$2372	$396	$813	$1245	$2320

Table N4a

[1] Day Care Survey - 1970 (Type A Center)

[2] Office of Child Development Estimates for Minimum Estimates for Minimum Care, 1971.

[3] Previous Office of Child Development, Estimates for minimum care

[4] Previous Office of Child Development, Estimates for Comprehensive Child Development Based Care

ESTIMATES ANNUAL PER CHILD COSTS OF CHILD CARE SERVICES (School Age)[1]

Service/Level	Family Day Care		Center		
	OCD Revised Minimum[2]	OCD Child Develop.[5]	OCD Revised Minimum[2]	OCD Child Develop.[3]	OCD Comprehensive[4]
Staff					
• Child Care/Recreation 1:25 children 1:15 children	385	385	147	93	153
• Secretary/Bookkeeper 1:100 children	None	None	33		
• Janitor 1:100 children			33		
• Business 1:250 children				16	16
• Cooks and Aides 1:100 children			33		
• Social Service	None	None		None	None
• Community Social Service Health or Parent Aide				None	None
• Special Resource 1:30 children	None	None		None	121
• Supervision 1:250 children 2:250 children (40 weeks) 3:250 children (12 weeks) 1:100 children			55	32	48
• (Personnel Subtotal)	(385)	(385)	(301)	(141)	(338)

Table N 4b

Facilities & Utilities					
•(assume use of non-rent facility)	16	16	15	30	30
•Food, Meals, Snacks					
Kitchen Supplies					
Snack only (40 weeks)	)	)	)	)	
Meal and Snack (12 weeks)	)55	)63	)65	)65	
Meal and Snack (40 weeks)					)
2 meals and snack (12 weeks)					)120
•Supplies & Materials	)				
	)				
Equipment	) 13	16			
(Annual Replacement Costs)	)		20	15	25
•Medical & Dental					
Examinations & Referrals	None	13	None	None	None
•Insurance					
Health & Accident			6		
Liability	3	3			
•Work with Parents					
Urgent need only	None	6.00	None	15	
Supplementary to School Services					35
•Transportation	None	16	10	None	None
•Clothing, Emergency Need	None	None	None	None	None
•Personnel Training	None	6.00	30	14	50
TOTAL	472	524	487	310	653

[1]Estimates Based on 40 weeks before and after school care; 12 weeks full time care

[2]Office of child development estimates for minimum care, 1971

[3]Previous office of child developments, estimates for minimum care

[4]Previous office of child development estimates for comprehensive child development care

[5]Office of child development care

Lower estimates of day care costs may reflect political realities associated with the massive costs of a federally supported day care program.

The reduction in estimates and the lower actual operating costs may also reflect the following additional factors:

- True cost reduction - The same service purchased at a lower price; for example, salaries may be less than originally estimated.
- Different levels of services - Different levels of services may be provided; for example, staff-to-child ratios may be increased. This does not necessarily imply reduced quality of service.
- Services dropped - Some services, such as medical treatment, were eliminated from earlier estimates and limited to screening and immunization. Also most comprehensive programs in operation do not provide all child development services, but only some of the services.
- Under-reported costs - It is suspected that operating programs may under-report actual costs, such as the cost of donated space, space in the family day care home, etc.

Note 6 - Cost of Replacing the Day Care Industry

The table was prepared to provide a general estimate of the magnitude of the cost of replacing the current private day care industry with a public, perhaps federal financed and operated program.

The capital cost requirements for facilities were estimated from new construction costs (Hedrick and Talcott, 1970) for serving those children now served in private homes. The value of existing day care centers is unknown but assumed to be $50,000 per facility. This is more than the new construction cost of $570 million for these centers.

Equipment costs are estimated for family homes and children in private homes at $40/child, the lowest value reported by the Day Care Survey-1970.

Payroll costs are estimated at $350 approximately the average salary for center workers reported by the Day Care Survey-1970. Staff ratios of 1:10 are assumed.

Total costs are estimated from payroll costs assuming that personnel costs are 60% of total operating costs.

Notes: Chapter Three

Note 1 - Definitions

Population groups - in estimating the impacts of day care services, three population groups are used:

1. Welfare Poor: This population group consists mainly of female-headed families with incomes below $4,000 per year. In general, this population group is current AFDC mothers.
2. Working Poor: This group consists mainly of families headed by males. These families are, in general, not eligible for assistance under the AFDC program but would be included under H.R.1. These families have incomes less than $4,000.
3. Near Poor: This population group refers to families (both single and two-parent) that have incomes between $4,000 and $8,000. These families are not eligible for either AFDC or, in general, under H.R.1.

(For precise definitions of the population groups see Final Report, II, V. 1, ch. 5.)

Note 2 - Description of Day Care and Child Development Services

This note presents information on the nature of child development services that can be purchased at the cost levels used as a basis of analysis in chapter three. The costs presented represent differences in input or services offered. They do not necessarily represent differences in efficiency of operation or impacts upon the children.

Estimates of day care costs are based on the kinds or levels of services included. For the purpose of this report, four different cost levels have been summarized. These represent the two extremes of services -- custodial care for $400 per year at the one end of the continuum, and $2,000 for comprehensive child development services at the other end. In between are two moderate programs. These estimates come from several sources. The $400 estimated is the average cost found for centers offering custodial services in a national survey of day care centers currently in operation. The cost level of $800 corresponds to centers providing "educational" care and $1,300 for "comprehensive" care (Day Care Survey-1970). The Office of Child Development estimates approximately $800 for custodial and $1,245 for comprehensive care. Although there are some differences in costs between family day care and group settings, the costs for the same services are similar. The following focuses on group care costs.

To a considerable extent, the cost of day care beyond that of basic care and supervision is related to the cost of child development services provided. For the $400 annual cost, the care is custodial -- offering food (one meal and snack), shelter, and adult supervision. Such centers make no attempt to provide educational or other services. The number of children per child-related staff member is high, 15:1; and there are few certified teachers in such centers, 1 to 470 children. Staff salaries are low.

Centers operating at a cost of $800 per child per year may include some educational activities in addition to the basic care and supervision. No other child development services are included. The ratio of child-related staff to children is about the same as the custodial program, 1:14; but the staff is more apt to be certified (one certified teacher for every 39 children). Salaries for the child-related staff members are higher -- about twice that for personnel in custodial centers.

Child development services such as social services, medical and dental examinations and referrals, counseling for parents with serious problems, some resource personnel, and an additional meal for the children, are included at the $1,200 level. The ratio of children to child-related staff is lower, 1:6; and the number of children per certified teacher is also smaller, some 35:1.

When care costs $2,000, more child development services at higher levels are included and the staff-child ratios are smaller (for example, the care would include a child-related staff member for every four children or less). Treatment, if not available otherwise, is provided in addition to medical and dental examinations and referral services. Work with parents includes parent education, family activities and counseling. Both the numbers and kinds of staff members are increased. Transportation is provided for the children.

The variations in services for family day care for the different cost levels are similar to those for group care and the total costs are approximately the same. However, there is no comparable information for the $400 level of care.

For school-aged children, total costs range from $300 to $650. These estimates are based on 40 weeks of care for three hours a day and 12 weeks of full-day care.

The figures above are overall estimates and actual costs of such services vary according to such factors as the total number of children served, the level of service, and the location (region of the country and whether the day care is located in an urban or a rural setting). Also, these costs may be reduced by the availability of facilities, personnel, and services through other funding sources.

Note 3 - Assumptions and Qualifications of Employment-Response Estimates

An analysis of the potential impact of day care services requires certain assumptions about the nature of existing services and the conditions under which they are available. For example, if all or a substantial portion of the day care services were made available only in day care centers as opposed to a variety of day care settings, different utilization of the services would be expected, since parents show a variety of preferences for day care settings. Similarly, different impacts would be expected if day care were provided only as part of a mandatory work requirement program for welfare or if the use of specific day care services, such as licensed services, were mandatory.

The estimates of the expected impacts presented in this section assume that the use of day care services is voluntary -- that it is not related to the mandatory use of specific day care services -- and that the day care services provided will include a diversity of services, including in-home care -- that maximum choice is provided to parents.

The above premises imply the following conditions for the actual operation of any day care program. The first and most important condition is that the day care provided would include all the varieties of day care that parents prefer and use. It thus, must include care in the child's own home and a variety of care arrangements outside the home, including care by relatives. The assumption is that to the greater extent parents can find the day care arrangements they prefer, then to this greater extent will they use the day care and thereby be allowed to seek employment. Conversely, to the extent that day care arrangements are limited to a few options or specific types, then only those parents desiring those forms of day care will use them and thus be free to seek employment.

The implication of this assumption for the estimated impacts presented in this section is that the impacts should be viewed as maximum responses or maximum employment effects. If, for example, a day care program were implemented that only or majorly emphasized the provision of day care services in centers, as opposed to the includion of other arrangements such as the child's own home or the home of another (including family day care homes), then the employment response will be significantly less, perhaps by as much as 60% since only 27% of non-working mothers (incomes $0-$8,000) indicate they prefer day care centers, while 45% prefer day care in their own home (Day Care Survey-1970).

Further restrictions on the use of day care services, such as the mandatory use of licensed day care facilities as opposed to the high current use of day care in the child's own home or the home of a relative (neither or which are covered by license laws) would have at least a similar or more drastic effect in reducing the employment response to the day care program.

The introduction of a mandatory work requirement either for the welfare poor or the non-welfare poor (if, for example, H.R.1 were enacted) would not significantly increase in the employment responses presented in this section. There are a number of reasons for this. First, the employment response is clearly related to the educational levels of the mothers and, presumably, to her job skills or employment potential. A mandatory work requirement would not, by itself, increase the educational levels of those mothers not seeking work and, therefore, would not increase their likelihood of employment.

Second, the employment-response model used in this analysis included in the employment response all mothers who worked at anytime during the year (as opposed to the percentage who may be employed at any given time during the year) and thus is a high estimate of the employment response.

A possible effect of a mandatory work requirement may be an increase in full-time employment. Our model predicts substantial changes from part-time to full-time employment as the result of day care services, but there is still some potential for more mothers to accept full-time rather than part-time employment. This effect would not increase the number of mothers working, but it would contribute to the reduction of welfare payments to their families.

Mothers will be able to obtain employment and thus use day care only to the extent that jobs are available. The estimates presented are based on a period of relatively low unemployment (1967). Hence, the estimates may be high for periods of high unemployment. In other words, high unemployment conditions will cause a reduction in the response rates reported.

The reduction in welfare costs and welfare rolls will depend upon both the level of welfare benefits and the wages women are able to earn. The welfare rolls and costs are based on proposed H.R.1 benefit levels of $2,400 for a family of four plus incentive payments (30 plus 1/3). To the extent that benefit levels are higher, as they are in most states, the reduction in welfare rolls and costs will be less. (The wages of working mothers are based on actual wages earned in 1967, updated to 1969.)

Note 4 - The Estimation Model

The estimates of employment response presented in chapter three were developed from several analytical approaches to the estimation problem. The approaches include the use of survey results; economic estimation models (the wage-subsidy approach); and a cross-classification model based on changes in employment behavior as the child becomes school age and thus eligible for some "free day care services." The estimates for the employment response to preschool day care services for the welfare poor and working poor are based on this model. The estimates for the near poor are based primarily on survey results and current employment patterns. A full presentation of the development of the estimates is presented in chapter five, volume one, of Part II of this Final Report.

Two estimates of the employment response to preschool day care services were developed. The full response estimates assume that all mothers who potentially would seek or could take employment would be able to find and retain a suitable job. A second estimate of the employment response was developed by reducing the full-employment response potential by 50%. This reduction is based on the realization that not all mothers who could or would seek jobs if day care were available would be able to find suitable employment.

The WIN program from May 1970 to April 1971 averaged 20% completions of all new entrants (see Table 12, Appendix B, Material Related to H.R.1 -- Work and Training Provisions Hearings on H.R.1, August 1971). In April 1971, 37% of WIN enrollees who had completed training could not be placed because jobs were not available (Table 7). Cumulatively, from June 1970 to April 1971, 43% of WIN completions have been placed in jobs (Chart 7). Thus, the 50% employment rate is in accord with actual program results.

The estimates presented in chapter three assume a 50% participation rate for the near-poor population who are not eligible under H.R.1 for direct financial assistance but could be eligible for a day care subsidy under a sliding fee schedule. This means that of all mothers in this group eligible for a day care subsidy, only 50% will apply for it. This is a realistic estimate. Even in direct financial assistance programs such as AFDC, participation rates are not 100% and may be as low as 40%, depending upon the benefit level. HEW estimates 50% participation rates for day care programs not required under H.R.1 (Report on Preschool Education, 1971, p. 5).

The model estimates for the welfare poor and working poor are based on all families with income other than the mother's own wage of less than $3,500 in the largest 97 SMSAs (Current Population Survey 1967).

Note 5 - School-Age Employment Response of Mothers with School-Age Children

The 5% induced labor force participation rate for working poor mothers was estimated through a wage-subsidy model by Auerbach. (see Final Report, II, V. 1, ch. 5, pp. 202-203). The estimate for the employment response for the welfare poor was obtained by determining the ratio of the employment response of the two population groups from our cross-classification, 50%-response model and applying it to the 5% response rate for the working-poor population.

Note 6 - "Poverty": Definition

Because of grouped data it was impossible to determine individual family income. The definition of poverty classifications (for a family of four) are based on categories of income within given ranges:

Poverty: income $0 to $4,000 with average income $2,000 or less;

Near poverty: income $2,000 to $5,500 with average incomes $3,750 or less;

Non-poverty: incomes averaging above $3,750; including both assistance payments under H.R.1 and earnings. A family may achieve non-poverty status due to the supplemental assistance under H.R.1. Thus, not all families classified as achieving non-poverty status will be earning enough to place them completely above welfare status (see Final Report, II, V. 1, ch. 5).

Increased Family Income for*
Welfare Poor

Cost per year of day care	Total day care cost (millions)	Increased family income (millions	Increased family earnings (millions)
$400	$203	$90	$128
$800	$406	$90	$128
$1200	$610	$90	$128
$2000	$1016	$90	$128

Increased Family Income for*
Working Poor

Cost per year of day care	Total day care cost (millions)	Increased family income (millions)	Increased family earnings (millions)
$400	$160	$108	$149
$800	$321	$108	$149
$1200	$481	$108	$149
$2000	$802	$108	$149

* Table 43, Final Report, II, V. 1, ch. 5.

Increased Family Income for
Near Poor

Cost per year of day care	Total day care cost§ (millions)	Increased family earnings* (millions)
$400	$200	$1147
$800	$399	$1147
$1200	$599	$1147

* At $4,588 per year, which is equal to WIN graduate wage levels for 250,000 mothers.

§ 50% participation rate and sliding fee scale.

Note 7 - Reduction in Welfare Rolls

Because of grouped data, it is impossible for the cross-classification model to determine individual families that would leave welfare as the result of wages from employment. These estimates are derived from estimated earnings.

Working Mothers Among Welfare Poor*

Cost per year of day care	Total day care cost (millions)	Mothers working			
		Before		After	
		Part-time	Full-time	Part-time	Full-time
$400	$203	9% 48,000	39% 216,000	7% 40,000	46% 257,000
$800	$406	9% 48,000	39% 216,000	7% 40,000	46% 257,000
$1200	$610	9% 48,000	39% 216,000	7% 40,000	46% 257,000
$2000	$1016	9% 48,000	39% 216,000	7% 40,000	46% 257,000

*Table 41, Final Report, II, V. 1, ch. 5.

Working Mothers Among Working Poor*

cost per year of day care	Total day care cost (millions)	Mothers working			
		Before		After	
		Part-time	Full-time	Part-time	Full-time
$400	$160	8% 44,000	27% 141,000	11% 56,000	40% 187,000
$800	$321	8% 44,000	27% 141,000	11% 56,000	40% 187,000
$1200	$481	8% 44,000	27% 141,000	11% 56,000	40% 187,000
$2000	$802	8% 44,000	27% 141,000	11% 56,000	40% 187,000

*Table 41, Final Report, II, V. 1, ch. 5.

Preschool Welfare Poor Families Leaving Welfare
Due to Preschool Day Care Services

Cost per child per year of day care	Total cost of day care (millions)	Families leaving welfare	
		Number	Percent eligible
$400	$203	12,500	2.5%
$800	$406	12,500	2.5%
$1200	$610	12,500	2.5%
$2000	$1016	12,500	2.5%

Working Poor Families Leaving Welfare
Due to Preschool Day Care Services

Cost per child per year of day care	Total cost of day care millions	Families leaving welfare	
		Number	Percent eligible
$400	$160	40,000	8%
$800	$321	40,000	8%
$1200	$481	40,000	8%
$2000	$802	40,000	8%

Note 8 - Total Costs of Day Care at $800 and $400 per Year

Day Care Program at $400 Voucher Level (Preschool) and $300 (School-Age)

Preschool

Cost for preschool day care (millions)

	Welfare poor	Working poor	Near poor	Total costs
Estimated Cost	$203	160	200	$563
Minus current expenditures	150			
	53	160	200	$413
Minus welfare savings and taxes	39	40	114	
	14	120	86	$220

School-age

Estimated Cost (All families)		$300
Minus current expenditures (For welfare poor families)		59
Net cost		$241
Total cost (Preschool and School-age)		$863
Current expenditures		209
New Expenditures		654
Welfare and tax savings		- 183
Net cost		$680

Day Care Program at $800 Voucher Level
(Preschool) and $300 (School-Age)

Preschool

Cost for preschool day care
(millions)

	Welfare poor	Working poor	Near poor	Total	
Estimated cost	$406	321	339	$1126	
Minus current expenditures	150				
	256	321	399	$ 976	
Minus taxes and welfare savings	39	40	114	$ 783	(net cost)

School-age

Estimated cost (All families)	$ 300	
Minus current expenditures (For welfare poor families)	$ 59	
Net cost	$ 241	
Total cost (Preschool and School Age)	$1526	
Current expenditures		209
New expenditures		1317
Welfare savings and taxes	- 183	
Net cost	$1343	

Notes: Chapter Four

Note 1 - Estimated Numbers of Preschool Children Served under Different Federal Day Care Programs

An estimated 909,000 preschool children of working mothers (about one-fourth of the total number of preschool children eligible for income maintenance support under H.R.1) would need care under H.R.1. (See chapter three for the detailed explanation of how this estimate was derived.)

Given allocations, about one-third of these 909,000 or 292,000 would be served under H.R. 1 as it passed the House. This estimate is based on the assumption that one-third of the slots to be provided would be for preschool children, as stated by Secretary Richardson (September 22, 1971), at a cost of $1,200 per year.

Although an estimated 830,000 children would receive child development services under the Nelson-Mondale bill (at a cost of $1,200), only 8% (72,720) of the 909,000 disadvantaged children of working mothers would be included. The Nelson-Mondale bill as introduced would, in total, serve 19% (675,000) of the total number of children under H.R.1 (of both working and non-working mothers). In addition to these children, 83,000 children from families with incomes above the $4,320 level would be served. This estimate of the total number of preschool children served is based on a total allocation of $1.5 billion, of which $.5 billion is restricted to Head Start programs; second, $1 billion is to be evenly divided between preschool and school-age children. This provides a total of $1 billion for preschool children. Based on the cost of $1,200 per child for child development services, $1 billion will serve 830,000 preschool children.

Thus, if the intent of federal support of day care services is to provide care for working mothers from poor families, this can best be accomplished through limitation of the services to children of mothers who would be working, as provided for by the example program described in this report.

If, however, the intent of federal support is to provide child development services to poor preschool children as specified in the Nelson-Mondale bill, then only one out of five poor children would receive services at the present budget levels. At the same time, this bill would provide services to approximately 83,000 children above the poverty level. If child development services were included for the children of working mothers, then about one-fourth of the children of working mothers would be served. None of the programs shown in Table 9 would provide child development services for all poor children.

Note 2 - Child Development: Estimates of Cost

As cited earlier, we find William L. Pierce's observations in a paper entitled, "Cost and Quality in Early Childhood Programs" of interest. He states:

> "Somehow, the estimates of cost for early childhood programs have become politicized so that the estimates of Steiner, Keyserling, (3) Reid (4) and others, which cluster around the $2,200 level for full day, full year programs for preschoolers, are dismissed in favor of lower estimates that match political, not practical, reality. The people and organizations whose estimates cluster around $1,600 have, to date, been less precise in describing their bases for computation than have the $2,200 people."
>
> (3) Mary Dublin Keyserling quoted a $2,200 figure in her testimony before the Senate Finance Committee. See p. 1409, Hearings, Family Assistance Act of 1970. Mrs. Keyserling is the former director of the Women's Bureau and is presently conducting a study of day care for the National Council of Jewish Women.
>
> (4) Joseph H. Reid, executive director of the Child Welfare League, told the Senate Finance Committee in the 1970 hearings (p. 1540) that the cost of group day care was about $2,234."

Pierce's statement is all the more interesting since current estimates of child care with a child development component associated with H.R. 1 and the Nelson-Mondale bill are based upon a $1,200 per year per child cost estimate, (cost as reported in Child Care: Data and Materials, 1971).

The costs estimates presented here of approximately $2,200 do not buy the same services that the experimental program do for about the same cost. The programs discussed above provide more medical and dental care, and other non-educational services, while the experimental programs tend to spend most of the money on education services.

Note 3 - Child Development: State of the Art

Dr. Edward Ziegler cited and quoted in Report on Preschool Education, (July 28, 1971, p. 2):

> Knowledge Base Needed for Day Care In earlier testimony, Ziegler said he thought the massive Head Start program which his office now administers had been launched without building sufficient knowledge base and without enough early experimental demonstration. Faced now with the prospect of a "quantum leap" in day care, Ziegler said one of OCD's main concerns has been to avoid that pitfall again if at all possible. A study comparing the effectiveness of four different kinds of day care programs -- center programs for large groups of children, group home care involving about 12 children and two adults, family home care involving one adult and about five children, and at-home care provided in the child's home by a caretaker -- is one of the demonstration projects which Zigler said OCD already has underway.

"Given passage of the new welfare bill, H.R. 1, the base we are now developing in day care with this money will have to support a $400 million program. I really do not believe it is wise for a nation to push ahead spending $400 million in day care without spending two or three years before that trying to find out what works, what are more economical ways of doing it, and what ways we can do it to optimize the development of children," Ziegler explained.

Dr. Edward Ziegler cited and quoted in Report on Education, (July 21, 1971, p. 6) commenting on a proposed "Home Start Program": The benefits of this kind of a program is, of course, that the efforts of a developmental home life are far more long lasting and continuous than we could ever expect from a few hours a week in developmental centers alone."

Dr. Edward Ziegler cited and quoted in Report on Education, (March 24, 1971, p. 4):

"There is a valid theoretical basis to the idea that most 'cognitive and social development of the child' take place in the family, he said. OCD would try to capitalize on this by 'supplementing family life' without, he hoped, coming to 'supplant' it. He outlined two approaches to the effort. First, parent training in high school. Every adolescent, said Ziegler, should have a course in how to be a parent. Second, the bulk of the effort would be to begin "Home Start." Experimental programs have demonstrated the effectiveness of helping the parent, a field where 'precious little' work has been done."

Note 4 - Child Development: The Syndrome

An interesting analysis of one aspect of the mutually reinforcing nature of child development opportunities and poverty is the following argument:

A child born into a poor family has less opportunity to receive child development services than does his more affluent counterpart for two reasons. First, because of the factors that are related to his family's being poor such as low educational levels of the parents, low earning power, and low-skilled occupations or being born or raised in a female-headed household. Second, the presence of the additional child himself places extra strain on the already low purchasing power or resources of the family. Hence, the additional financial needs associated with the birth of the child may be the event that places the family in poverty.

Given the relatively low earning power of many families, increasing family size is the single most significant factor that places the family in poverty. While the mother or father's earning power may be sufficient to support one or two children above the poverty line or beyond the welfare levels, it is extremely unlikely that families can support family sizes above these levels.

Notes: Chapter Six

Note 1 - Administrative Authority

Policy decisions will have to be made regarding the placement within the federal governmental structure of administrative authority for the various components of the suggested program. Competing arguments exist in the case of the three program areas -- providing purchasing power, development of key resources, and research and demonstration. On a balance of the considerations involved, we tentatively suggest placement of each component in the following manner.

1. Administration of the Voucher Program

The primary responsibility for the provision of vouchers for work-related day care services seems logically to fall to the federal agency that would have responsibility for other work-related programs and services under current and proposed legislation. If this situation should change, the logic of this placement might likewise change.

2. Administration of the Key Resource Program (Department of Labor)

The reason for housing this program in the Department of Labor is the assumed efficiency and effectiveness of the development of key resources through the same central administration as that responsible for the provision of services, or to one that is closely related. Other considerations suggest placing this program in other offices, such as the Department of Health, Education, and Welfare. Principal among reasons for placement in HEW would be that department's substantial past and current activity and responsibility in the area.

3. Administration of the Child Development Research and Demonstration Program (Department of Health, Education, and Welfare)

Past HEW experience and current capabilities and activities in the field suggest the wisdom of placing this new office with that department. Overall coordination and cooperation in the whole child care program suggests placement of a research with the Department of Labor, if other parts of the program reside there, and if one portion of the program would not exercise undue influence over another.

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